THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Zhenro Services Group Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the stockbroker, registered dealer in securities or other agent through whom the sale was effected for transmission to the purchaser(s) or the transferee(s).

zhenro正荣服务

Zhenro Services Group Limited
正榮服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6958)

CONNECTED TRANSACTION IN RELATION TO THE SALE AND PURCHASE OF EQUITY INTEREST IN ZHENRO COMMERCIAL MANAGEMENT CO., LTD* AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

Giraffe 智富

Giraffe Capital Limited

Capitalised terms on this cover page shall have the same meanings as those defined in "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 6 to 25 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 68 of this circular.

A notice convening the EGM of the Company to be held at 2/F., Building 7, Hongqiao Zhenro Center, 666 Shenhong Road, Minhang District, Shanghai, PRC on Monday, 28 June 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.zhenrowy.com).

Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

All times and dates specified herein refers to Hong Kong local times and dates.

9 June 2021

CONTENTS

Page

The following expressions in this circular have the meanings set out below unless the content requires otherwise:

"Announcement"	the announcement dated 19 May 2021 jointly published by Zhenro Properties and the Company
"associate(s)"	has the meaning as ascribed to it under the Listing Rules
"Board"	the board of Director(s)
"China" or "PRC"	the People's Republic of China
"Company"	Zhenro Services Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 6958)
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"Consideration Adjustment"	the consideration adjustment mechanism under the Sale and Purchase Agreement, details of which are set out in the section headed "2. The Sale and Purchase Agreement – Consideration – (iii) Consideration Adjustment" in this circular
"Consultancy Services Agreement"	the commercial property management and consultancy services framework agreement dated 19 May 2021 entered into between the Target Company and Zhenro Properties
"controlling shareholder(s)"	has the meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at 2/F., Building 7, Hongqiao Zhenro Center, 666 Shenhong Road, Minhang District, Shanghai, PRC on Monday, 28 June 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement, the Consulting Services Agreement (including the proposed annual caps contemplated thereunder) and the respective transactions contemplated thereunder

"First Completion"	completion of the First Equity Transfer, details of which are set out in the section headed "2. The Sale and Purchase Agreement – Completion – (i) The First Completion" in this circular
"First Equity Transfer"	the transfer of 47.52% and 11.88% equity interests in the Target Company by Zhenro Properties Holdings to Purchaser I and Purchaser II, respectively pursuant to the Sale and Purchase Agreement
"Global Offering"	the global offering of the Shares, details of which are set out in the Prospectus
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee comprising all the independent non-executive Directors
"Independent Financial Adviser"	Giraffe Capital Limited, a corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders with respect of the Sale and Purchase Agreement, the Consultancy Services Agreement (including the proposed annual caps contemplated thereunder) and the respective transactions contemplated thereunder
"Independent Shareholders"	the Shareholders who are not required to abstain from voting at the EGM for the resolution in respect of the Sale and Purchase Agreement, the Consultancy Services Agreement (including the proposed annual caps contemplated thereunder) and the respective transactions contemplated thereunder

"independent third party(ies)"	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries, and their respective connected persons, ultimate beneficial owner(s) or associates
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer
"Latest Practicable Date"	6 June 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
"Mr. Ou"	Mr. Ou Zongrong
"Prospectus"	the prospectus of the Company dated 29 June 2020
"Purchaser I"	Fuzhou Huihua Enterprise Management Consultancy Co., Ltd.* (福州匯華企業管理諮詢有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Purchaser II"	Fujian Zhenro Property Service Co., Ltd.* (福建正榮物業服務有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Purchasers"	Purchaser I and Purchaser II
"Remaining Shareholder"	Zero Origin Limited, a company incorporated in Hong Kong with limited liability
"RMB"	Renminbi, the lawful currency of the PRC

"Sale and Purchase Agreement"	the sale and purchase agreement dated 19 May 2021 entered into by and among the Purchasers, Zhenro Properties Holdings and the Target Company in relation to the Transaction
"Second Completion"	completion of the Second Equity Transfer, details of which are set out in the section headed "2. The Sale and Purchase Agreement – Completion – (ii) The Second Completion" in this circular
"Second Equity Transfer"	the transfer of 31.68% and 7.92% equity interests in the Target Company by Zhenro Properties Holdings to Purchaser I and Purchaser II, respectively pursuant to the Sale and Purchase Agreement
"SFO"	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.002 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning as ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Target Company"	Zhenro Commercial Management Co., Ltd.* (正榮商業管理有限公司), a company established in the PRC with limited liability and is owned as to 99% by Zhenro Properties Holdings and as to 1% by the Remaining Shareholder as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries
"Target Interest"	the 99% equity interest in the Target Company held by Zhenro Properties Holdings
"Transaction"	the transactions contemplated under the Sale and Purchase Agreement

"WeiTian"	WeiTian Holdings Limited (偉天控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ou as at the Latest Practicable Date
"WeiYao"	WeiYao Holdings Limited (偉耀控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ou as at the Latest Practicable Date
"WeiZheng"	WeiZheng Holdings Limited (偉正控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Ou as at the Latest Practicable Date
"Zhenro Properties"	Zhenro Properties Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 6158)
"Zhenro Properties Group"	Zhenro Properties and its subsidiaries
"Zhenro Properties Holdings"	Zhenro Properties Holdings Company Limited* (正榮地產控股股份有限公司), a company established in the PRC and a wholly- owned subsidiary of Zhenro Properties as at the Latest Practicable Date
"%"	per cent.

* *for identification purpose only*

zhenro 正荣服务

Zhenro Services Group Limited
正榮服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6958)

Executive Directors:
Mr. Lin Xiaotong *(Chief Executive Officer)*
Mr. Kang Hong

Non-executive Directors:
Mr. Huang Xianzhi *(Chairman)*
Mr. Chan Wai Kin

Independent Non-executive Directors:
Mr. Ma Haiyue
Mr. Au Yeung Po Fung
Mr. Zhang Wei

Registered Office:
Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

Principal Place of Business and Headquarter in China:
1/F, Building 7, Hongqiao Zhenro Center
666 Shenhong Road
Minhang District
Shanghai, PRC

Principal Place of Business in Hong Kong:
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

9 June 2021

To the Shareholders,

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE SALE AND PURCHASE OF EQUITY INTEREST IN ZHENRO COMMERCIAL MANAGEMENT CO., LTD*
AND
POSSIBLE CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide the Shareholders with, among other things, further details on the Sale and Purchase Agreement and the Consultancy Services Agreement and the respective transactions contemplated thereunder, the letter of advice from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the valuation report prepared by the Independent Valuer in respect of the Target Company, general information of the Group and the notice convening the EGM.

2. THE SALE AND PURCHASE AGREEMENT

On 19 May 2021, the Purchasers (each a wholly-owned subsidiary of the Company), Zhenro Properties Holdings (a wholly-owned subsidiary of Zhenro Properties) and the Target Company entered into the Sale and Purchase Agreement pursuant to which the Purchasers have conditionally agreed to acquire, and Zhenro Properties Holdings has conditionally agreed to dispose of, the Target Interest at the total consideration of RMB891 million, subject to the Consideration Adjustment.

Certain principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

19 May 2021

Parties

(i) Zhenro Properties Holdings, as vendor

(ii) 福州匯華企業管理諮詢有限公司 (Fuzhou Huihua Enterprise Management Consultancy Co., Ltd.*), as Purchaser I

(iii) 福建正榮物業服務有限公司 (Fujian Zhenro Property Service Co., Ltd.*), as Purchaser II

(iv) the Target Company

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchasers have conditionally agreed to acquire, and Zhenro Properties Holdings has conditionally agreed to dispose of, the Target Interest, being an aggregate of 99% equity interest in the Target Company (as to 79.2% to be acquired by Purchaser I and as to 19.8% to be acquired by Purchaser II).

Consideration

The aggregate consideration for the Transaction is RMB891 million, among which the consideration payable by Purchaser I and Purchaser II for the acquisition of 79.2% and 19.8% equity interest in the Target Company is RMB712.8 million and RMB178.2 million respectively, subject to the Consideration Adjustment.

The consideration is payable by the Purchasers to Zhenro Properties Holdings in cash in the following manner:

(i) First instalment

RMB534.6 million, representing 60% of the total consideration for the Transaction, shall be payable by the Purchasers to Zhenro Properties Holdings within fifteen (15) business days upon fulfilment (or, as the case may be, waived by the Purchasers) of all the conditions precedent to the First Equity Transfer under the Sale and Purchase Agreement (the "**First Instalment**"), among which RMB427.68 million shall be payable by Purchaser I and RMB106.92 million shall be payable by Purchaser II.

(ii) Final instalment

Subject to the Consideration Adjustment, RMB356.4 million, representing 40% of the total consideration for the Transaction, shall be payable by the Purchasers to Zhenro Properties Holdings within fifteen (15) business days upon fulfilment (or, as the case may be, waived by the Purchasers) of all the conditions precedent to the Second Equity Transfer under the Sale and Purchase Agreement (the "**Final Instalment**"), among which RMB285.12 million shall be payable by Purchaser I and RMB71.28 million shall be payable by Purchaser II.

(iii) Consideration Adjustment

If the net profit of the Target Company (the "**Guaranteed Profit**") for 2021 is less than RMB60 million, the Final Instalment payable by the Purchaser will be adjusted accordingly ("**Consideration Adjustment**") as follows:

The Final Instalment payable by Purchaser I to Zhenro Properties Holdings (in RMB) = $285{,}120{,}000 - (60{,}000{,}000 - \rho) \times 99\% \times 80\% \times c$

The Final Instalment payable by Purchaser II to Zhenro Properties Holdings (in RMB) = $71{,}280{,}000 - (60{,}000{,}000 - \rho) \times 99\% \times 20\% \times c$

Note: "ρ" (being an amount less than RMB60 million) represents the net profit of the Target Company for 2021; and

"c" represents the total consideration of RMB891 million for the transaction divided by the corresponding 99% equity interest and then divided by RMB60 million, namely the Guaranteed Profit of the Target Company for 2021.

The First Instalment paid by the Purchasers to Zhenro Properties Holdings pursuant to the First Equity Transfer under the Sale and Purchase Agreement shall not be affected by the Consideration Adjustment.

The Company will comply with the disclosure requirements under Rule 14A.63 of the Listing Rules if the actual net profit of the Target Group for the year ending 31 December 2021 is less than RMB60,000,000.

The consideration for the Transaction will be partly funded by the unutilised net proceeds raised from the Global Offering of the Company as to RMB628 million with the remaining to be financed by internal resources of the Company. Further details are set out in the paragraph headed "9. Change in Use of Proceeds from the Global Offering for Zhenro Services" in the Announcement.

Basis of determination of the Consideration and the Guaranteed Profit

The consideration for the Transaction was determined after arm's length negotiations between the Purchasers and Zhenro Properties Holdings on normal commercial terms with reference to, among other things, (i) the appraised fair value of the Target Company of approximately RMB909 million, based on the valuation report prepared by the Independent Valuer using the market approach; (ii) the future business prospects of the Target Group and the industry in which the Target Group is engaged in; and (iii) reasons and benefits of the Transaction as stated under the paragraph headed "5. Reasons for and Benefits of the Sale and Purchase Agreement and the Consultancy Services Agreement" below. In view of the above, the Directors consider that the consideration for the Transaction (including the Consideration Adjustment) is fair and reasonable. Details of the valuation report in respect of the Target Company prepared by the Independent Valuer are set out in Appendix I to this circular.

The Guaranteed Profit was derived based on arm's length negotiations among the parties considering the future business prospects of the Target Group, the number of properties under management by the Target Group, the existing performance of rental agreements with tenants for the projects of the Target Group, and with reference to the implied price-to-earnings ratios ("**P/E Ratio(s)**") calculated by the consideration and the Guaranteed Profit, as compared to the P/E Ratio of the comparable companies listed on the Main Board of the Stock Exchange which is principally engaged in property management services:

No.	**Stock Code**	**Name of comparable company**	**Market capitalisation as at 31 March 2021** *(in RMB)*	**Forecast net income for the year ending 31 December 2021** *(in RMB) (Note)*	**P/E Ratio**
1.	9909	Powerlong Commercial Management Holdings Limited	13,977,508,300	459,571,000	30.41

No.	Stock Code	Name of comparable company	Market capitalisation as at 31 March 2021 *(in RMB)*	Forecast net income for the year ending 31 December 2021 *(in RMB) (Note)*	P/E Ratio
2.	6989	Excellence Commercial Property & Facilities Management Group Limited	9,510,726,100	512,000,000	18.58
3.	1502	Financial Street Property Co., Limited	1,514,266,600	157,000,000	9.65
4.	6668	E-Star Commercial Management Company Limited	3,251,854,000	193,000,000	16.85
				Mean:	18.87
				Median:	17.71

Note: The forecast net income for the year ending 31 December 2021 for each of the comparable company was extracted from Bloomberg.

Noting that the median and mean of P/E Ratios of the comparable companies are 17.71 times and 18.87 times respectively, and taking into account the prospects of the Target Group as set out in the section headed "5. Reasons for and Benefits of the Sale and Purchase Agreement and the Consultancy Services Agreement", the parties considered that the implied P/E Ratio of 15 times calculated by the projected valuation of RMB900 million of 100% equity interest of the Target Group based on the consideration of RMB891 million under the Sale and Purchase Agreement and the Guaranteed Profit of RMB60 million was fair and reasonable.

Conditions precedent

(i) Conditions precedent to the First Equity Transfer

The First Completion is conditional upon the following conditions precedent to the First Equity Transfer being fulfilled and/or waived (as the case may be) by the Purchasers:

(a) the passing of the necessary resolution(s) by the shareholders of the Target Company at general meeting to approve, among other things, the transfer of the Target Interest, including (i) the unanimous resolutions of all the shareholders of the Target Company to transfer the Target Interest as contemplated under the Sale and Purchase Agreement; (ii) the Remaining Shareholder having agreed to waive any right of first refusal or any other pre-emptive right; and (iii) the shareholders of the Target Company having approved the execution of the Sale and Purchase Agreement and the amended articles of association or any proposed amendments to the articles of association of the Target Company pursuant to the Sale and Purchase Agreement;

(b) the Sale and Purchase Agreement having been duly executed by all parties thereto, and remained in full force and effect and not having been rescinded, terminated or revoked as at the date of the First Completion;

(c) all representations and warranties made by Zhenro Properties Holdings and the Target Company remained true, complete, accurate, not misleading and with no material omission as at the date of the First Completion;

(d) each of Zhenro Properties Holdings and the Target Company having performed and complied with all obligations contained in the Sale and Purchase Agreement that are required to be performed or complied with by it on or before the First Completion;

(e) the audit on the Target Group for the financial year of 2020 having been completed with the audit report being issued to the satisfaction of the Purchasers; and

(f) the passing of ordinary resolution(s) by the Independent Shareholders of the Company at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

(ii) Conditions precedent to the Second Equity Transfer

The Second Completion is conditional upon the following conditions precedent to the Second Equity Transfer being fulfilled and/or waived (as the case may be) by the Purchasers:

(a) conditions precedent (a) to (d) to the First Equity Transfer having been fulfilled;

(b) the First Instalment having been paid by the Purchasers to Zhenro Properties Holdings in accordance with the Sale and Purchase Agreement;

(c) all necessary registrations required for the First Equity Transfer under the Sale and Purchase Agreement having been completed and the relevant documents and/or certifications having been provided by the Target Company, such that each of the Purchasers has become the registered shareholder of the Target Company and is entitled to the corresponding shareholder's rights; and

(d) the management accounts of the Target Company for the financial year of 2021 having been provided by the Target Company to the Purchasers and having been accepted by the Purchasers.

The Purchasers may waive the above conditions precedent to the First Equity Transfer (except for condition precedent (f) to the First Equity Transfer) and/or conditions precedent to the Second Equity Transfer at any time as they may deem reasonably appropriate.

If the conditions precedent to the First Equity Transfer are not fulfilled or waived by the Purchasers (as the case may be), the Sale and Purchase Agreement shall automatically terminate and none of the parties thereto shall have any claim against the other in respect of the Transaction save for any antecedent breach of the Sale and Purchase Agreement prior to such termination.

The Second Completion is conditional upon conditions precedent to the Second Equity Transfer being fulfilled and/or waived by the Purchasers. In the event that any of such conditions precedent are not fulfilled or waived by the Purchasers (as the case may be), the Purchasers have the right not to proceed with Second Completion, but the First Equity Transfer will not be terminated and the First Instalment will not be refunded to the Purchasers. Notwithstanding the above, the Company considers that the conditions precedent to the Second Equity Transfer are mainly procedural matters which either should have been fulfilled upon the First Completion or merely aim to facilitate the calculation of the Consideration Adjustment. Accordingly, assuming that the First Completion has taken place, the Company currently does not contemplate that the Second Completion will not be proceeded with as a result of non-fulfillment of any condition precedent to the Second Equity Transfer.

Completion

(i) The First Completion

The First Completion shall take place on the day on which the First Instalment has been paid by the Purchasers to Zhenro Properties Holdings and the First Equity Transfer has been carried out by Zhenro Properties Holdings. All necessary registrations required for the First Equity Transfer under the Sale and Purchase Agreement shall be completed within thirty (30) business days after the First Completion, as a result of which the Target Company will be owned as to approximately 47.52%, 11.88%, 39.60% and 1% by Purchaser I, Purchaser II, Zhenro Properties Holdings and the Remaining Shareholder, respectively. Accordingly, upon the First Completion, the Target Company will be indirectly owned as to 59.4% by the Company and will become a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Company's financial statements. Upon the First Completion, the Target Company and other members of the Target Group will cease to be subsidiaries of Zhenro Properties and their financial results will no longer be consolidated into Zhenro Properties' financial statements.

It is expected that the First Completion will take place in late June 2021.

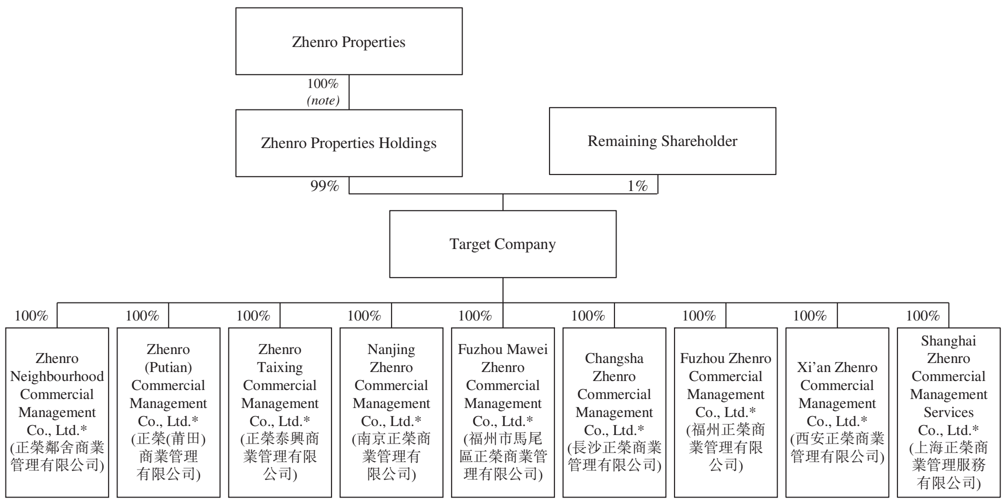
(ii) The Second Completion

The Second Completion shall take place on the day on which the Final Instalment has been paid by the Purchasers to Zhenro Properties Holdings and the Second Equity Transfer has been carried out by Zhenro Properties Holdings. All necessary registrations required for the Second Equity Transfer under the Sale and Purchase Agreement shall be completed within thirty (30) business days after the Second Completion, as a result of which, the Target Company will be owned as to approximately 79.2%, 19.8% and 1% by Purchaser I, Purchaser II and the Remaining Shareholder, respectively. Accordingly, the Target Company will be indirectly owned as to 99% by the Company and will continue to be a non-wholly owned subsidiary of the Company.

It is expected that the Second Completion will take place by 30 June 2022.

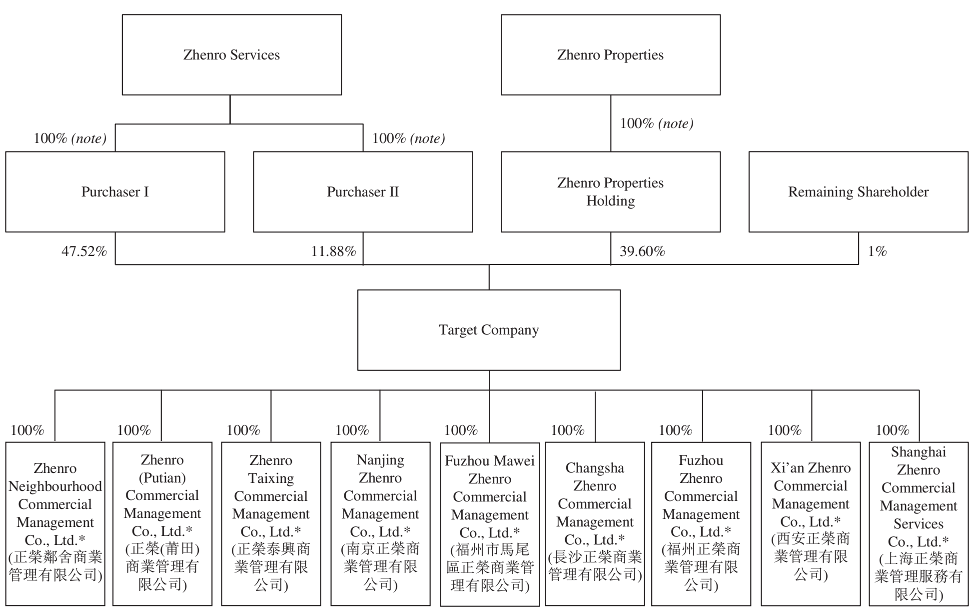
The shareholding structure of the Target Company as at the Latest Practicable Date and immediately after the First Completion and the Second Completion is set out below:

As at the Latest Practicable Date



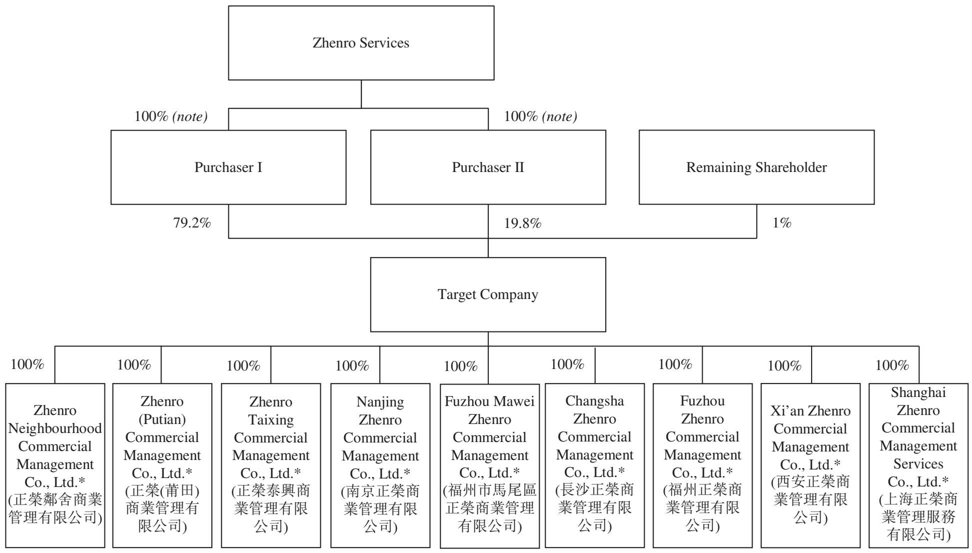
Note: Indirect interest

Immediately after the First Completion



Note: Indirect interest

Immediately after the Second Completion



Note: Indirect interest

3. POSSIBLE CONTINUING CONNECTED TRANSACTIONS

As a result of the Transaction, the Target Company will become a non-wholly owned subsidiary of the Company and the transactions between Zhenro Properties Group and the Target Group will become continuing connected transactions for each of Zhenro Properties and the Company under Chapter 14A of the Listing Rules.

The Consulting Services Agreement

On 19 May 2021, the Target Company and Zhenro Properties entered into the Consultancy Services Agreement in relation to the provision of commercial property management and consultancy services by the Target Group to Zhenro Properties Group.

Certain principal terms of the Consultancy Services Agreement are summarised as follows:

Date	:	19 May 2021
Parties	:	(i) the Target Company
		(ii) Zhenro Properties
Term	:	For a period from the date of passing the relevant resolution by the Independent Shareholders at the EGM approving the Consultancy Services Agreement to 31 December 2022 (both days inclusive)

Subject matter : Pursuant to the Consultancy Services Agreement, the Target Group has agreed to provide commercial property operational and consultancy services to Zhenro Properties Group, including but not limited to (i) pre-acquisition services in respect of land for commercial properties, office buildings, apartments and hotels (including but not limited to commercial land researches, commercial related consultancy and studies, etc.) (the "**Pre-Acquisition Services**"); (ii) early-stage services for commercial property projects having been obtained (including but not limited to project positioning, business planning, store location, architectural design, optimisation of mechanical and electrical engineering technology, planning for tenant sourcing and opening, commercial lease planning, management fee estimation and preparation of lease decision documents, etc.) (the "**Early-Stage Services**"); (iii) opening preparation services for commercial property projects having been obtained (including but not limited to tenant sourcing, marketing and promotion, pre-opening, renovation construction, etc.) (the "**Opening Preparation Services**"); (iv) management services for property projects that have commenced operations (the "**Management Services**"); and (v) specialised consultancy services (the "**Specialised Consultancy Services**", together with the Pre-Acquisition Services, the Early-Stage Services, the Opening Preparation Services and the Management Services, the "**Consultancy Services**"). The Specialised Consultancy Services include a range of services such as research and analysis on industry trend and development potential, related polices, customers' analysis, operation analysis, data analysis and business planning for any specific industry requested by Zhenro Properties Group which may include elderly care services, hotel industry, community services, leasing apartment industry and educational services and other industries which are considered by Zhenro Properties Group.

The Consultancy Services Agreement is a framework agreement which provides the mechanism for the provision of the Consultancy Services by the Target Group to Zhenro Properties Group. It is envisaged that from time to time and as required, individual agreements will be entered into between the Target Group and Zhenro Properties Group, setting out the relevant Consultancy Services to be provided by the Target Group to Zhenro Properties Group and the respective service fees. The individual agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Consultancy Services Agreement, including the pricing policy. The term of such individual agreements shall not exceed the term of the Consultancy Services Agreement. As the individual agreements are simply further elaborations on the Consultancy Services Agreement, they do not constitute new categories of connected transactions under Chapter 14A of the Listing Rules.

Pricing policy : The basis of determining the service fees payable by Zhenro Properties Group to the Target Group in respect of the Consultancy Services contemplated under the Consultancy Services Agreement will be determined in the ordinary course of business, on normal commercial terms, and shall be negotiated on an arm's length basis after taking into account, including but not limited to (i) the size, location and condition of the property; (ii) the nature and scope of the service; (iii) expected operating costs (including but not limited to personnel costs, administrative costs and relevant costs); (iv) prevailing market prices for similar services provided to similar properties; and (v) prices that the Target Group charges for providing similar services to independent third parties.

Historical transaction amounts : The approximate historical aggregate transaction amounts of service fees in respect of the Consultancy Services provided by the Target Group to Zhenro Properties Group for the three financial years ended 31 December 2020 are set out below:

For the year ended 31 December 2018	RMB33,566,000
For the year ended 31 December 2019	RMB33,040,000
For the year ended 31 December 2020	RMB72,660,000

The increase in historical transaction amounts from 2019 and 2020 was attributable to the expanded scope of Consultancy Services provided by the Target Group to Zhenro Properties Group and the increase in number of properties managed by the Target Group. In year 2019, the Target Group only provided Pre-Acquisition Services, Opening Preparation Services and Management Services to Zhenro Properties Group. In year 2020, the Target Group also started to provide Early-Stage Services and Specialised Consultancy Services to Zhenro Properties Group and the aggregate service fees from such two additional services amounted to RMB27.78 million. The Target Group will continue to provide the five types of services under the Consultancy Services Agreement to Zhenro Properties Group in 2021 and 2022.

As Zhenro Properties Group will continue to have new commercial properties, it is expected that the transaction amount under the Consultancy Services Agreement for the year ending 31 December 2021 will represent approximately 10% increment compared with the transaction amount for the year ended 31 December 2020 and a further 12.5% increment for the year ending 31 December 2022 having considered the increase in number of projects of Zhenro Properties Group which are expected to receive services from the Target Group under the Consultancy Services Agreement in 2021 and 2022.

The total number of projects receiving Early-Stage Services, Management Services and Opening Preparation Services from the Target Group increased to 14 in 2020 from 7 in 2019. It was expected that Zhenro Properties Group will have a total of 22 and 28 projects receiving Early-Stage Services, Management Services and Opening Preparation Services from the Target Group in 2021 and 2022 respectively.

Proposed annual caps : The proposed annual caps of the Consultancy Services contemplated under the Consultancy Services Agreement for each of the financial years ending 31 December 2021 and 2022 are set out below:

For the year ending 31 December 2021	RMB80,000,000
For the year ending 31 December 2022	RMB90,000,000

The proposed annual caps of the Consultancy Services contemplated under the Consultancy Services Agreement are determined with reference to (i) the historical transaction amounts of service fees in respect of the Consultancy Services provided by the Target Group to Zhenro Properties Group for the year ended 31 December 2020; (ii) the anticipated volume of Consultancy Services required to be provided by the Target Group to Zhenro Properties Group as of 31 December 2022, taking into account the projects volume and the project development plan of Zhenro Properties Group during such period; and (iii) the expected service fees to be charged by the Target Group for the provision of the Consultancy Services.

4. INTERNAL CONTROL MEASURES

In order to ensure that the terms of the transaction conducted under the Consultancy Services Agreement are on normal commercial terms and not more favourable to Zhenro Properties than those provided to independent third parties, and the transactions are conducted in compliance with the requirements under Chapter 14A of the Listing Rules, the Company has the following internal control measures in place:

(a) The finance department is responsible for preparing relevant information. Before a transaction is entered into, at least two similar historical transactions entered into between the Group and independent third party customers must be obtained for price comparison and for approval by risk management and compliance department to ensure that connected transactions are on normal commercial terms and that the relevant prices and terms are not more favourable to Zhenro Properties than those provided to independent third parties by the Group.

(b) The finance department is responsible for conducting inspections, review and evaluation on a monthly basis on whether the amount of connected transactions is maintained within the annual caps of connected transactions.

(c) The finance department must submit a summary of the connected transactions of the Group to the risk control and compliance department for review. The risk control and compliance department will assess whether a transaction constitutes the transaction subject to any disclosure or approval requirements under the Listing Rules. Transaction reports of connected transactions must be submitted to management for review every six months and at the end of the year.

(d) The senior management of the Company shall be responsible for supervising and monitoring the adoption of internal control procedures of the Group to ensure that the implementation of the pricing policy is in compliance with the framework agreements and the actual transaction amount is controlled within their respective annual caps.

(e) The finance department has a designated employee to monitor related transactions conducted under the Consultancy Services Agreement. When the transaction limit reaches 80% of the annual cap set under the respective agreement, he/she will promptly inform the general manager of the finance department and the general manager of the finance department will determine whether the Company should arrange for a revision of the annual cap as appropriate, in compliance with all relevant requirements under Chapter 14A of the Listing Rules. No further transaction will be conducted in excess of the annual cap, and transactions will only resume after the Company has complied with all relevant Listing Rules requirements under Chapter 14A in relation to the revised annual cap.

5. REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE AGREEMENT AND THE CONSULTANCY SERVICES AGREEMENT

5.1 The Sale and Purchase Agreement

The development direction and goal of the Company has been to further improve the Company's market position in China's property management industry and enhance the Company's comprehensive service capabilities in the property management industry on the existing basis. In addition to focusing on acquisition targets in the residential property sector, the Company has been considering and seeking to find suitable acquisition targets in commercial management sector as the commercial operational management sector has attracted more interest from peers in general as a result of the current trend and preference of investors to invest in companies with integrated residential and commercial operational management service capabilities. After conducted feasibility study on different targets available in the market including their respective branding, valuation and price of the targets and scope of services provided by the targets, the Board believes that the Target Group meets the acquisition standards of the Company in terms of operating model, scale and branding.

The Board considers the Target Group a suitable target for the future development and expansion plan of the Company for the following reasons:

(1) the Target Group has built a reputable brand in the industry and the management of the commercial properties under the "Zhenro" brand name by the Target Group provides a better effect in achieving the integration of both residential and commercial management service capabilities, as compare to other target companies with different brand names. The Board believes the integration of both residential and commercial management service capabilities could increase the overall value of the Group as a whole in the long run;

(2) with strong footprints in major cities such as Shanghai, Nanjing, Chengdu, Fuzhou, Changsha and Putian, the acquisition as contemplated under the Sale and Purchase Agreement could bring synergy effect to further strengthen the market position of the Company in those cities; and

(3) in addition to the existing over 20 commercial projects which are currently under the management of the Target Group, the Target Group had a considerable number of new projects under negotiation, which the Board believes could bring an additional source of revenue to the Company. With the support and commitment of the Company in developing and expanding the commercial management services business after completion of the Transaction, the Board believes the Target Group has strong growth potential in the next few years.

The two-stage completion adopted in the current structure would allow an appropriate period for a smooth transition and hand-over of the operation of the Target Group to Zhenro Services, and allow time for the finalisation of the Consideration Adjustment under the Sale and Purchase Agreement.

5.2 The Consultancy Services Agreement

The Target Group has been providing consultancy services regarding commercial properties of Zhenro Properties, which commenced from land pre-acquisition, through construction stage all the way to commercial operation and is familiarised with Zhenro Properties' strategy and requirements.

Considering that Zhenro Properties is a leading real estate company in the industry and the long-standing cooperation between the Target Group and the Zhenro Properties Group, the entering into of the Consultancy Services Agreement with the Zhenro Properties Group is conducive to continuous business stability of the Target Group and is also expected to contribute stable income to the Group.

6. INFORMATION ON THE TARGET GROUP

6.1 The Target Group

As at the Latest Practicable Date, the Target Company has nine wholly-owned subsidiaries, namely Zhenro Neighbourhood Commercial Management Co., Ltd* (正榮鄰舍商業管理有限公司), Zhenro Taixing Commercial Management Co., Ltd.* (正榮泰興商業管理有限公司), Nanjing Zhenro Commercial Management Co., Ltd.* (南京正榮商業管理有限公司), Zhenro (Putian) Commercial Management Co., Ltd* (正榮(莆田)商業管理有限公司), Fuzhou Mawei Zhenro Commercial Management Co., Ltd* (福州市馬尾區正榮商業管理有限公司), Changsha Zhenro Commercial Management Co., Ltd* (長沙正榮商業管理有限公司), Fuzhou Zhenro Commercial Management Co., Ltd* (福州正榮商業管理有限公司), Xi'an Zhenro Commercial Management Co., Ltd* (西安正榮商業管理有限公司) and Shanghai Zhenro Commercial Management Services Co., Ltd* (上海正榮商業管理服務有限公司).

Shanghai Zhenro Commercial Management Services Co., Ltd* (上海正榮商業管理服務有限公司) was established in the PRC by the Target Company as its wholly-owned subsidiary on 25 May 2021. Its registered capital is RMB1 million, which will be injected by the Target Company. As at the Latest Practicable Date, it has not commenced any operation and has no assets or liabilities.

The Target Group is principally engaged in the provision of commercial operation and management services for commercial properties. As at the Latest Practicable Date, the Target Company is owned as to 99% by Zhenro Properties Holdings and 1% by the Remaining Shareholder.

The Target Group currently has commercial operational management business and brand management output commercial operational management business with third-party companies. Current sublease projects and the services provided include without limitation:

(1) Commercial operation leasing services: Shanghai Xujing Zhenro Centre, Shanghai Qingpu Rongyu Apartment, Nanjing Zhenro Centre, Yueyang Hengyunli, Taixing Phoenix Plaza, Changzhou Xinghu Plaza, Changzhou Exotic Street and Chengdu 133 Mall Huiyuan Plaza;

(2) Operation management services: Fuzhou Mabao Zhenro Fortune Centre, Fuzhou Mawei Zhenro Fortune Centre, Putian Fortune Centre, Putian Zhenro Street, Changsha Zhenro Fortune Centre and Nanping Dongsheng Mall;

(3) Planning consultancy services: Hefei Metropolis 1907, Nanping Fortune Centre, Shanghai Qingpu Rongyu Apartment, Shanghai Jinshan Rongyu Apartment, Putian Shouxi Park and Changsha Xuhai MGM Plaza; and

(4) Hotel management services: Putian Zhenro Fortune Centre.

To the best of the knowledge, information and belief of the Board, and having made all reasonable enquiries, (i) the Remaining Shareholder is principally engaged in investment holding and is ultimately beneficially owned by Liu Pingshan, Wang Zhiming and other individuals or entities (each holding not more than 10% equity interests in the Remaining Shareholder); and (ii) the Remaining Shareholder and its ultimate beneficial owners are independent third parties.

The summary of the audited financial information of the Target Group for the two years ended 31 December 2019 and 2020 are set out below:

	For the year ended 31 December 2019 *RMB*	For the year ended 31 December 2020 *RMB*
Revenue	107,550,000	144,955,000
Net profits before taxation	20,587,000	43,895,000
Net profits after taxation	15,139,000	33,036,000
Total assets	111,488,000	168,604,000
Net assets	40,227,000	73,263,000

7. INFORMATION ON ZHENRO PROPERTIES GROUP

7.1 Zhenro Properties

Zhenro Properties is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange. Zhenro Properties is an investing holding company. Zhenro Properties Group is principally engaged in property development, property leasing and commercial property management. The ultimate controlling shareholder of Zhenro Properties is Mr. Ou.

7.2 Zhenro Properties Holdings

Zhenro Properties Holdings is a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties. Zhenro Properties Holdings is principally engaged in investment and development.

8. INFORMATION ON THE GROUP AND THE PURCHASERS

8.1 The Group

The Company is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services. The ultimate controlling shareholder of the Group is Mr. Ou.

8.2 Purchaser I

Purchaser I is a company established in the PRC with limited liability and principally engaged in investment holding, other professional consultancy services and corporate management consultancy services in the PRC. Purchaser I is a wholly-owned subsidiary of the Company.

8.3 Purchaser II

Purchaser II is a company established in the PRC with limited liability and principally engaged in property management in the PRC. Purchaser II is a wholly-owned subsidiary of the Company.

9. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Company and Zhenro Properties are indirectly owned as to approximately 63.26% and approximately 54.60% by Mr. Ou, respectively. Mr. Ou is therefore the controlling shareholder of the Company, and members of the Zhenro Properties Group, being associates of Mr. Ou, are connected persons of the Company under Chapter 14A of the Listing Rules.

9.1 The Sale and Purchase Agreement

With respect to the Sale and Purchase Agreement, as one or more applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Agreement exceed(s) 5% but all of them are less than 25%, the Transaction constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. As Zhenro Properties Holdings, being a member of Zhenro Properties Group is an associate of a connected person of the Company, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

9.2 The Consultancy Services Agreement

Upon the First Completion, the Target Company will become a non-wholly owned subsidiary of the Group. Accordingly, upon the First Completion, the transactions contemplated under the Consultancy Services Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for the Consultancy Services Agreement exceed(s) 5%, the Consultancy Services Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

10. GENERAL

Mr. Huang Xianzhi, a non-executive Director, is an executive director of Zhenro Properties. Mr. Chan Wai Kin, a non-executive Director, is an executive director of Zhenro Properties. As a good corporate governance practice, each of Mr. Huang Xianzhi and Mr. Chan Wai Kin had abstained from voting on the relevant resolutions of the Board approving, among others, the Sale and Purchase Agreement and the Consultancy Services Agreement. Save for the aforesaid, none of the other Directors had or may be regarded as having a material interest in the Sale and Purchase Agreement, the Consultancy Services Agreement and the respective transactions contemplated thereunder, and therefore none of the other Directors had abstained from voting on the relevant resolutions of the Board.

The Company has established the Independent Board Committee comprising all three independent non-executive Directors to advise the Independent Shareholders as to whether the terms of each of (i) the Sale and Purchase Agreement and (ii) the Consultancy Services Agreement and the proposed annual caps contemplated thereunder are fair and reasonable, and whether the respective transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Giraffe Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

11. THE EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM. The EGM will be held at 2/F., Building 7, Hongqiao Zhenro Center, 666 Shenhong Road, Minhang District, Shanghai, PRC on Monday, 28 June 2021 at 11:00 a.m., during which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve (i) the Sale and Purchase Agreement and (ii) the Consultancy Services Agreement (including the proposed annual caps contemplated thereunder) and the respective transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.zhenrowy.com). Whether or not Shareholders intend to attend the EGM, Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM and any adjournment thereof (as the case may be) should the Shareholders so wish and in such event, the proxy shall be deemed to be revoked.

Pursuant to Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in a proposed transaction must abstain from voting at the relevant general meeting on the relevant resolution(s). To the best of the knowledge, information and belief of the Board, and having made all reasonable enquiries, as at the Latest Practicable Date, associates of Mr. Ou, namely, WeiZheng, WeiYao, and WeiTian, who hold an aggregate of 656,348,500 Shares, representing 63.26% of the issued share capital of the Company, shall abstain from voting on the resolution approving the Sale and Purchase Agreement, the Consultancy Services Agreement (including the annual caps contemplated thereunder) and the respective transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, none of the other Shareholders will be required to abstain from voting at the EGM.

12. RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed "5. Reasons for and Benefits of the Sale and Purchase Agreement and the Consultancy Services Agreement" in this circular, the Board (including the independent non-executive Directors after taking into consideration the advice of the Independent Financial Adviser) is of the view that the terms of each of the Sale and Purchase Agreement and the Consultancy Services Agreement (including the annual caps contemplated thereunder), and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the EGM to approve the Sale and Purchase Agreement, the Consultancy Services Agreement (including the annual caps contemplated thereunder) and the respective transactions contemplated thereunder.

13. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 26 to 27 of this circular, the letter from the Independent Financial Adviser as set out on pages 28 to 68 of this circular, the Valuation Report set out in Appendix I to this circular, and the general information set out in Appendix II to this circular.

Yours faithfully,
By order of the Board
Zhenro Services Group Limited
Huang Xianzhi
Chairman

The following is the text of the letter of recommendation from the Independent Board Committee, prepared for the purpose of inclusion in this circular.

zhenro正荣服务

Zhenro Services Group Limited
正榮服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6958)

9 June 2021

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE SALE AND PURCHASE OF EQUITY INTEREST IN ZHENRO COMMERCIAL MANAGEMENT CO., LTD* AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 9 June 2021 (the "**Circular**") issued by the Company to the Shareholders of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Sale and Purchase Agreement and the Consultancy Services Agreement (including the annual caps contemplated thereunder) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

Giraffe Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Sale and Purchase Agreement and the Consultancy Services Agreement (including the annual caps contemplated thereunder). Details of the advice from Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 28 to 68 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 25 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the information as set out in the letter from the Board, the terms and conditions of each of the Sale and Purchase Agreement and the Consultancy Services Agreement (including the annual caps contemplated thereunder), the factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we are of the view that (i) although the transactions contemplated under the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms the Sale and Purchase Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the transactions contemplated under the Consultancy Services Agreement (including the annual caps contemplated thereunder) are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders to vote in favour of the respective ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the Consultancy Services Agreement (including the annual caps contemplated thereunder).

Yours faithfully
For and on behalf of the Independent Board Committee of
Zhenro Services Group Limited

Mr. Ma Haiyue	**Mr. Au Yeung Po Fung**	**Mr. Zhang Wei**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter received from Giraffe Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

Giraffe
智富

Giraffe Capital Limited

9 June 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION AND
POSSIBLE CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the Consultancy Services Agreement (including the annual caps contemplated thereunder), details of which are set out in the letter from the Board (the "**Letter from the Board**") in the circular issued by the Company to their shareholders dated 9 June 2021 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, on 19 May 2021, the Purchasers (each a wholly-owned subsidiary of the Company), Zhenro Properties Holdings (a wholly-owned subsidiary of Zhenro Properties) and the Target Company entered into the Sale and Purchase Agreement pursuant to which the Purchasers have conditionally agreed to acquire, and Zhenro Properties Holdings has conditionally agreed to dispose of, an aggregate of 99% equity interest in the Target Company at the total consideration of RMB891 million, subject to the Consideration Adjustment.

As a result of the Transaction, the Target Company will become a non-wholly owned subsidiary of the Company and the transactions between Zhenro Properties Group and the Target Group will become continuing connected transactions for each of Zhenro Properties and the Company under Chapter 14A of the Listing Rules.

As set out in the Letter from the Board, on 19 May 2021, the Target Company and Zhenro Properties entered into the Consultancy Services Agreement in relation to the provision of commercial property operational and consultancy services by the Target Group to Zhenro Properties Group.

As at Latest Practicable Date, the Company and Zhenro Properties are indirectly owned as to approximately 63.26% and approximately 54.60% by Mr. Ou, respectively. Mr. Ou is therefore the controlling shareholder of the Company, and members of Zhenro Properties Group, being associates of Mr. Ou, are connected persons of the Company under Chapter 14A of the Listing Rules.

With respect to the Sale and Purchase Agreement, as one or more applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Agreement exceed(s) 5% but all of them are less than 25%, the Transaction constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. As Zhenro Properties Holdings, being a member of Zhenro Properties Group, is an associate of a connected person of the Company, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

With respect to the Consultancy Services Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for the Consultancy Services Agreement exceed(s) 5%, the Consultancy Services Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Board, and having made all reasonable enquiries, associates of Mr. Ou, namely, WeiZheng, WeiYao, and WeiTian, who hold an aggregate of 656,348,500 shares of the Company as at the date of the Circular, shall abstain from voting on the resolution approving the Sale and Purchase Agreement and the Consultancy Services Agreement and the respective transactions and the annual caps contemplated thereunder at the EGM. Save as disclosed above, as at the Latest Practicable Date, none of the other shareholders of the Company is required to abstain from voting at the EGM.

The Company will convene and hold an EGM for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the Consultancy Services Agreement (including the annual caps contemplated thereunder).

THE INDEPENDENT BOARD COMMITTEE

The Company has established the Independent Board Committee comprising all three independent non-executive directors of the Company, namely Mr. Ma Haiyue, Mr. Au Yeung Po Fung and Mr. Zhang Wei, to advise the Independent Shareholders as to whether the terms of each of the Sale and Purchase Agreement and the Consultancy Services Agreement (including the annual caps contemplated thereunder) and whether the respective transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. We were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, are qualified to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Save for our appointment as the Independent Financial Adviser, there was no engagement between the Group and us in the past two years.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, (i) the Announcement; (ii) the Sale and Purchase Agreement; (iii) the Consultancy Services Agreement; (iv) the prospectus of the Company dated 29 June 2020 (the "**Prospectus**"); (v) the annual report of the Company for the year ended 31 December 2020 (the "**Annual Report 2020**"); (vi) the annual report of Zhenro Properties for the year ended 31 December 2017 (the "**Zhenro Properties Annual Report 2017**"), 31 December 2018, 31 December 2019 (the "**Zhenro Properties Annual Report 2019**") and 31 December 2020 (the "**Zhenro Properties Annual Report 2020**"); (vii) the audited financial information of the Target Group for the two years ended 31 December 2019 and 2020; and (viii) the valuation report (the "**Valuation Report**") prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer (the "**Valuer**"). We have also (i) discussed with the management of the Company with respect to the terms of and reasons for the entering into of the Sale and Purchase Agreement, and the business and future outlook of the Group; (ii) interviewed with the Valuer in respect of the market value of 99% equity interests of the Target Group; and (iii) interviewed with the legal advisers of the Company as to the PRC laws in respect of the legality of the Transaction. Save and except for the review of the Valuation Report, we have not made any independent evaluation or appraisal of the assets and liabilities of the Target Group and we have not been furnished with any such evaluation or appraisal. Since we are not experts in the valuation of businesses or companies, we have relied solely on the Valuation Report for the market value.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management and/or the Directors were true and accurate the time when they are made and continue to be true up the Latest Practicable Date. We have no reason to believe that any statements, information, opinions and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent verification and in-depth investigation into the information provided by the Company as well as the business and affairs of the Group, Zhenro Properties Group (including the Target Group) or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders of the Company should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries and careful consideration, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of each of the Sale and Purchase Agreement and the Consultancy Services Agreement (including the annual caps contemplated thereunder) and the respective transaction contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

1.1 Business of the Group

As disclosed in the Letter from the Board, the Group is principally engaged in the provision of property management services, value-added services to non-property owners and Community value-added services in the PRC.

As disclosed in Annual Report 2020, the management of the Group believes that its property management service business line serves as the basis for the Group to generate revenue, expand its business scale, and increase its customer base for its community value-added services to property owners and residents while the value-added services to non-property owners help it gain early access to property development projects and establish and cultivate business relationships with the property developers, giving the Group a competitive advantage in securing engagements for property management services.

1.2 Business of Purchaser I

As disclosed in the Letter from the Board, Fuzhou Huihua Enterprise Management Consultancy Co., Ltd.* (福州匯華企業管理諮詢有限公司), is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date. It is principally engaged in investment holding, other professional consulting services and corporate management consulting services in the PRC.

1.3 Business of Purchaser II

As disclosed in the Letter from the Board, Fujian Zhenro Property Service Co., Ltd.* (福建正榮物業服務有限公司) is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date. It is principally engaged in property management in the PRC.

* *For identification purpose only*

1.4 Financial performance of the Group

Set out below is a summary of the Group's operating results extracted from the Annual Report 2020:

	For the year ended 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
	(Audited)	*(Audited)*
Revenue		
– Property management services	342,314	486,794
– Value-added services to non-property owners	262,255	415,299
– Community value-added services	111,651	200,659
	716,220	1,102,752
Gross profit	244,489	383,375
Gross profit margin	34.1%	34.8%
Profit attributable to owners of the Company	105,538	171,647

For the year ended 31 December 2019 ("**FY2019**") and the year ended 31 December 2020 ("**FY2020**"), the Group generated revenue mainly from three business lines, being (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

As disclosed in the Annual Report 2020, revenue from the property management services contributed the largest portion of the Group's total revenue, which comprised cleaning services, security services, landscaping services and repair and maintenance services for both residential and non-residential properties. Revenue from the value-added services to non-property owners was one of the key sources of revenue to the Group, which consisted of sales assistance services (involving assistance to property developers in showcasing and marketing their properties, cleaning and maintenance, security and visitor management), additional tailored services customised to meet specific needs of customers on an as-needed basis, housing repair services, preliminary planning and design consultancy services and pre-delivery inspection services.

Based on the Annual Report 2020, the revenue of the Group increased from approximately RMB716.2 million in FY2019 to approximately RMB1,102.8 million in FY2020, representing a growth rate of approximately 54.0%. Such increase was mainly attributable to (i) the increase in revenue generated from the property management services by approximately 42.2%, resulting from the rapid growth in contracted GFA and GFA under management through its multi-property type business; (ii) the increase in revenue generated from value-added services to non-property owners by approximately

58.3%, resulting from the increase in property development projects which in turn resulted in an increase in demand for the value-added services; and (iii) the increase in revenue generated from community value-added services by approximately 79.7% resulting from the expansion of GFA under management, the increase in the number of service users and the provision of diversified home-living products.

As disclosed in the Annual Report 2020, the gross profit of the Group increased by approximately 56.8% from approximately RMB244.5 million in FY2019 to approximately RMB383.4 million in FY2020. Such increase was in line with the increase in revenue in FY2020. The gross profit margin of the Group remained relatively stable at 34.1% and 34.8%, respectively, in FY2019 and FY2020.

The Group's profit attributable to owners of the Company increased from approximately RMB105.4 million in FY2019 to approximately RMB171.6 million in FY2020, which was mainly in line with the movement of its gross profit during the year.

2. Information of Zhenro Properties Group

2.1 Business of the Zhenro Properties Group

As disclosed in the Letter from the Board, Zhenro Properties is an investing holding company. Zhenro Properties Group is principally engaged in property development, property leasing and commercial property management as at the Latest Practicable Date.

As disclosed in the Zhenro Properties Annual Report 2020, Zhenro Properties Group was the top 20 China Real Estate Developers* (中國房地產開發企業) conferred by China Real Estate Association* (中國房地產業協會) in 2020. According to China Index Academy (the "**CIA**"), Zhenro Properties Group was ranked 18th among the PRC's Top 100 Real Estate Developers* (中國房地產百強企業) in 2021 in terms of overall strength including but not limited to, business scale, financial performance, quality of services, potential development and social responsibility.

As disclosed in the Zhenro Properties Annual Report 2020, the PRC government will continue to focus on the implementation of a long-effect mechanism in the property industry and promote a healthier and more stable development of the property industry in China with the policies of "houses are for living in, not for speculation" and "stabilizing land prices, property prices and expectations" as the core.

2.2 Business of Zhenro Properties Holdings

As disclosed in the Letter from the Board, Zhenro Properties Holdings is a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties as at the Latest Practicable Date. It is principally engaged in investment and development.

* *For identification purpose only*

2.3 Financial performance of Zhenro Properties

Set out below is a summary of Zhenro Properties' operating results extracted from the Zhenro Properties Annual Report 2019 and Zhenro Properties Annual Report 2020:

	For the year ended 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
	(Audited)	*(Audited)*
Revenue		
– Sale of properties	32,184,576	35,601,372
– Sale of goods	–	77,703
– Property management services	85,492	88,118
– Management consulting services	153,294	239,980
– Rental income	134,298	118,916
	32,557,660	36,126,089
Gross profit	6,497,857	6,903,881
Gross profit margin	20.0%	19.1%
Profit attributable to owners of the Company	2,506,405	2,650,744
Contracted sales	130,708,000	141,901,000

	As at 31 December	
	2019	**2020**
Land bank	26.15 million sq.m.	28.45 million sq.m.

As disclosed in the Zhenro Properties Annual Report 2020, it is principally involved in property development, property leasing and commercial property management. The revenue of Zhenro Properties increased from approximately RMB32,557.7 million in FY2019 to approximately RMB36,126.1 million in FY2020, which was mainly due to the increase in revenue from sale of properties, sale of goods and management consulting services in FY2020. The gross profit of Zhenro Properties increased by approximately 6.3%, which was mainly attributable to the increase in revenue in FY2020. The gross profit margin remained relatively stable at 20.0% and 19.1%, respectively, in FY2019 and FY2020. The net profit of Zhenro Properties increased by approximately 5.8% was in line with the movement of its gross profit in FY2020.

The contracted sales of Zhenro Properties increased from approximately RMB130.7 billion to approximately RMB141.9 billion, as Zhenro Properties Group carried out online-to-offline marketing to provide a new format of virtual reality online tour of residential units and house purchase, and launched a series of online live marketing activities to draw more market attention, which had driven customer visits and sales to rebound.

As at 31 December 2020, Zhenro Properties Group had a land bank with GFA of 28.5 million sq.m. in 32 cities in the PRC, of which 82% is located in first- and second-tier cities. Zhenro Properties Group's equity interest (in terms of GFA) in the land bank increased from approximately 55% as at 31 December 2019 to approximately 58% as at 31 December 2020.

3. Information of the Target Group

3.1 Business of the Target Group

According to the Letter from the Board, the Target Company is a limited liability company incorporated in the PRC. As at the Latest Practicable Date, the Target Company has nine wholly-owned subsidiaries, namely Zhenro Neighbourhood Commercial Management Co., Ltd* (正榮鄰舍商業管理有限公司), Zhenro Taixing Commercial Management Co., Ltd.* (正榮泰興商業管理有限公司), Nanjing Zhenro Commercial Management Co., Ltd.* (南京正榮商業管理有限公司), Zhenro (Putian) Commercial Management Co., Ltd.* (正榮(莆田)商業管理有限公司), Fuzhou Mawei Zhenro Commercial Management Co., Ltd.* (福州市馬尾區正榮商業管理有限公司), Changsha Zhenro Commercial Management Co., Ltd.* (長沙正榮商業管理有限公司), Fuzhou Zhenro Commercial Management Co., Ltd.* (福州正榮商業管理有限公司), Xi'an Zhenro Commercial Management Co., Ltd.* (西安正榮商業管理有限公司) and Shanghai Zhenro Commercial Management Service Co., Ltd* (上海正榮商業管理服務有限公司).

The Target Group is principally engaged in the provision of commercial operation and management services for commercial properties. As at the Latest Practicable Date, the Target Company is owned as to 99% by Zhenro Properties Holdings and 1% by the Remaining Shareholder.

The Target Group currently has commercial operational management business and brand management output commercial operational management business with third-party companies. Current sublease projects and the services provided include without limitation:

(1) Commercial operation leasing services: Shanghai Xujing Zhenro Centre, Shanghai Qingpu Rongyu Apartment, Nanjing Zhenro Centre, Yueyang Hengyunli, Taixing Phoenix Plaza, Changzhou Xinghu Plaza, Changzhou Exotic Street and Chengdu 133 Mall Huiyuan Plaza;

* *For identification purpose only*

(2) Operation management services: Fuzhou Mabao Zhenro Fortune Centre, Fuzhou Mawei Zhenro Fortune Centre, Putian Fortune Centre, Putian Zhenro Street, Changsha Zhenro Fortune Centre and Nanping Dongsheng Mall;

(3) Planning consultancy services: Hefei Metropolis 1907, Nanping Fortune Centre, Shanghai Qingpu Rongyu Apartment, Shanghai Jinshan Rongyu Apartment, Putian Shouxi Park and Changsha Xuhai MGM Plaza; and

(4) Hotel management services: Putian Zhenro Fortune Centre.

3.2 Financial performance of the Target Group

Set out below is a summary of the Target Group's operating results for the two years ended 31 December 2019 and 2020:

	For the year ended 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
	(Audited)	*(Audited)*
Revenue	107,550	144,955
Gross profit	54,089	82,485
Gross profit margin	50.3%	56.9%
Net profit after tax	15,139	33,036

According to the Letter from the Board, the Target Group is principally engaged in provision of commercial operation and management services for commercial properties. The revenue of the Target Group increased from approximately RMB107.6 million in FY2019 to approximately RMB145.0 million in FY2020, which was mainly due to the increase in revenue generated from brand and management output service, including but not limited to the preparatory services for commercial property projects having been obtained, management services for commercial property projects that have commenced operations from and other specialized consulting services, of the Target Group in FY2020. The gross profit of the Target Group increased by approximately 52.5% was mainly attributable to the increase in revenue in FY2020. The increase in gross profit margin in FY2020 was mainly attributable to the increase in revenue and the implementation of cost control measures of the Target Group. The increase in net profit of the Target Group in FY2020 was mainly in line with the movement of its gross profit during the year.

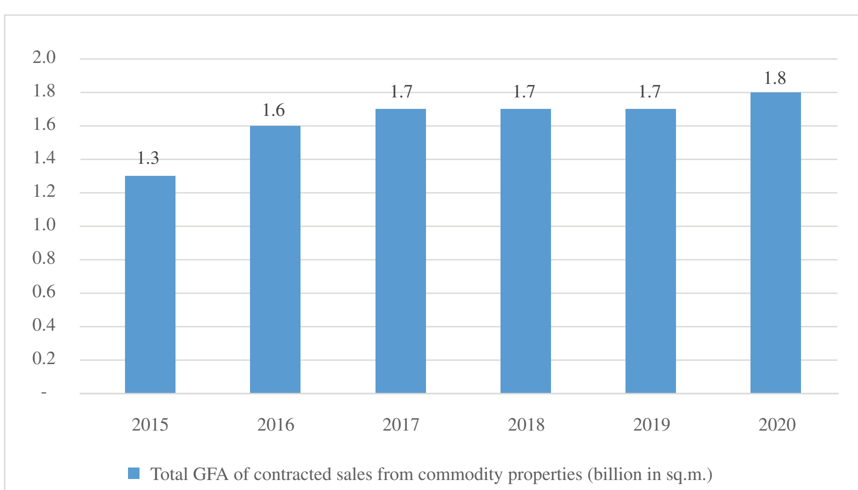
4. Industry outlook

4.1 Overview of the development of the real estate market in the PRC

The PRC property management industry emerged in the 1980s, when the first domestic property management company was founded in Shenzhen. Since then, the PRC property management industry has undergone several stages of development. Followed by the official promulgation of the Provisions on Property Management* (物業管理條例) in 2003 and Property Law of the Mainland China* (中華人民共和國物權法) in 2007, the regulatory framework for the property management industry gradually took shape and matured.

According to the National Bureau of Statistics of China* (國家統計局), the GDP of the PRC reached RMB101.6 trillion in 2020, representing a CAGR of approximately 8.08% from RMB68.9 trillion in 2015. Replacing traditional growth drivers, the new GDP growth drivers focus on optimising the economic structure and improving quality of life. In addition, the urbanisation rate of the PRC increased from 34.8% in 1999 to 60.0% in 2020, the continuous growth in the urbanisation rate has directly facilitated the real estate market in the urban area and the growth of the property management industry. With reference to the Prospectus, the urbanisation, economic growth and increasingly demand better living condition and quality property management services in the PRC have been the underlying reason for the growth of the PRC property management industry.

Driven by rapid economic growth, the population density and strong demands, the real estate market in the PRC has experienced rapid development in the last 20 years. According to the National Bureau of Statistics of China, the total GFA of contracted sales from commodity properties reached approximately 1.8 billion sq.m. in 2020 and represents a CAGR of approximately 6.72% from 1.3 billion sq.m. in 2015. Such growth has provided an excellent opportunity for the development of the property management industry. The following chart sets forth the total GFA of contracted sales from commodity properties:



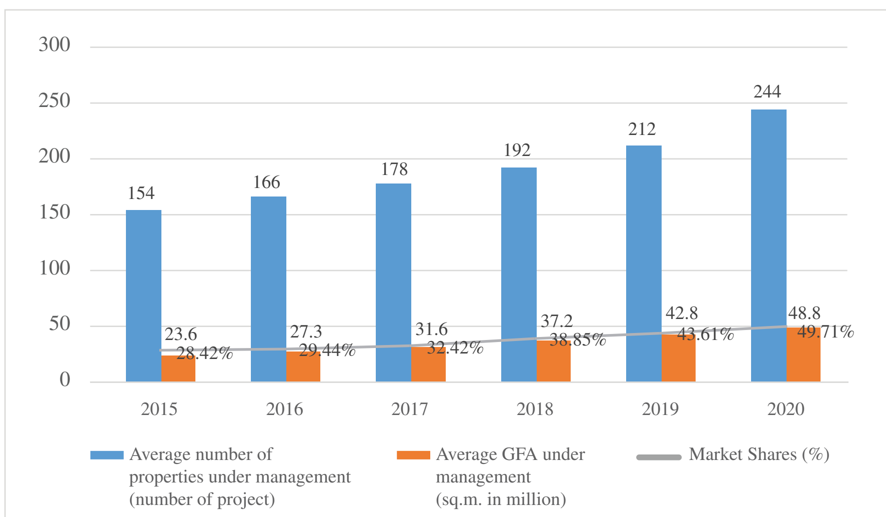
Source: National Bureau of Statistics

* *For identification purpose only*

4.2 The PRC property management industry

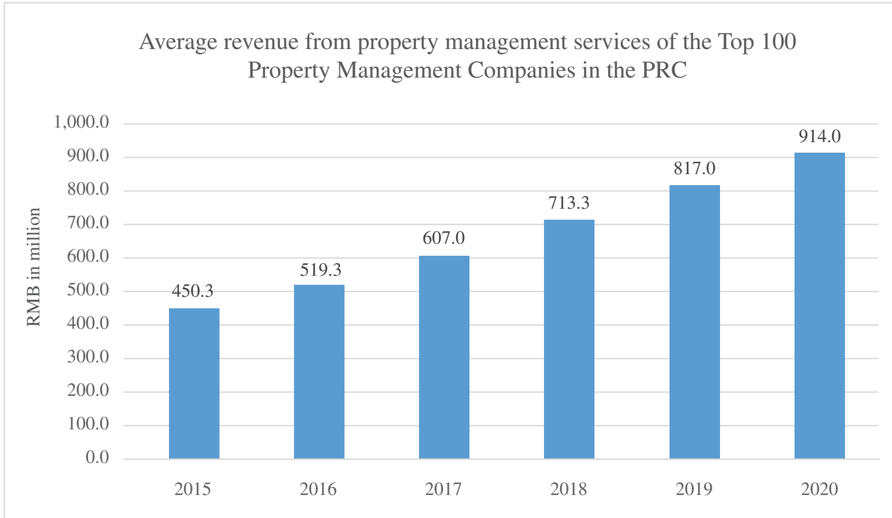
According to CIA, the aggregate GFA under management of the property management industry has increased from 17.5 billion sq.m. in 2015 to 23.9 billion sq.m. in 2019, representing a CAGR of approximately 8.2% and the total revenue of the property management industry in the PRC reached RMB568.7 billion, representing a CAGR of approximately 9.3% from 2015 to 2019.

According to CIA, the aggregate market share of the Top 100 Property Management Companies in the PRC in terms of the total GFA managed increased from 28.42% in 2015 to 49.71% in 2020. Further, the average number of properties managed by the Top 100 Property Management Companies in the PRC increased from 154 in 2015 to 244 in 2020, representing a CAGR of approximately 9.64%, while the average GFA under management of properties managed by the Top 100 Property Management Companies in the PRC increased from 23.6 million sq.m. in 2015 to 48.8 million sq.m. in 2020, representing a CAGR of approximately 15.64%.



Source: website of China Index Academy

In the PRC, property management service fees are the primary revenue source for property management companies. Property management fees may be charged either on a lump sum basis or a commission basis. The lump sum basis is the dominant revenue model in the property management industry in the PRC. According to CIA, the revenue from property management services of the Top 100 Property Management Companies in the PRC has achieved steady growth through both organic growth and external acquisitions. With reference to CIA, the average revenue from property management services of the Top 100 Property Management Companies in the PRC increased from RMB450.3 million in 2015 to RMB914.0 million in 2020, representing a CAGR of approximately 15.21%.



Source: website of China Index Academy

4.3 Government policies

The Guidelines for Smart Communities Construction (Trial)* (智慧社區建設指南(試行)) issued in 2014 by Ministry of Housing and Urban-Rural Development of the PRC (the "**MOHURD**") encouraged and indicated customers' need for the upgrade of traditional property management services through digitisation and smart management, i.e. big data and internet of things (IoT). It broadens the scope of property management services and brings more development space for property management industry. In addition, the reform of power decentralisation and government function transition leads to more demand for property management services for public and other properties and creates more opportunities for property management companies to expand their scale of property management services for public and other properties. These laws and policies jointly create and will continue to improve a supportive and orderly environment and accelerate the development of the industry and property management companies in the PRC.

In December 2020, the MOHURD issued Opinions on Promoting Property Service Enterprises to Accelerate the Development of Online and Offline Life Services* (關於推動物業服務企業加快發展線上線下生活服務的意見) to accelerate the construction of smart property management service platforms, complement the shortcomings of residential community services, promote the integrated development of online and offline property services, and meet the diverse needs and multi-level life service needs of residents.

* *For identification purpose only*

5. Principal terms of the Sale and Purchase Agreement and Consultancy Services Agreement

5.1 Sale and Purchase Agreement

On 19 May 2021, the Purchasers (each a wholly-owned subsidiary of the Company), Zhenro Properties Holdings (a wholly-owned subsidiary of Zhenro Properties) and the Target Company entered into the Sale and Purchase Agreement pursuant to which the Purchasers have conditionally agreed to acquire, and Zhenro Properties Holdings has conditionally agreed to dispose of, the Target Interest at the total consideration of RMB891 million, subject to the Consideration Adjustment.

Certain principal terms of the Sale and Purchase Agreement are summarised as follows:

5.1.1 Date

19 May 2021

5.1.2 Parties

(i) Zhenro Properties Holdings, as vendor

(ii) 福州匯華企業管理諮詢有限公司 (Fuzhou Huihua Enterprise Management Consultancy Co., Ltd.*), as Purchaser I

(iii) 福建正榮物業服務有限公司 (Fujian Zhenro Property Service Co., Ltd.*), as Purchaser II

(iv) the Target Company

5.1.3 Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchasers have conditionally agreed to acquire, and Zhenro Properties Holdings has conditionally agreed to dispose of, the Target Interest, being an aggregate of 99% equity interest in the Target Company (as to 79.2% to be acquired by Purchaser I and as to 19.8% to be acquired by Purchaser II).

* *For identification purpose only*

5.1.4 Consideration

According to the Letter from the Board, the aggregate consideration for the Transaction is RMB891 million, among which the consideration payable by Purchaser I and Purchaser II for the acquisition of 79.2% and 19.8% equity interest in the Target Company is RMB712.8 million and RMB178.2 million respectively, subject to the Consideration Adjustment.

The consideration is payable by the Purchasers to Zhenro Properties Holdings in cash in the following manner:

(i) First instalment

RMB534.6 million, representing 60% of the total consideration for the Transaction, shall be payable by the Purchasers to Zhenro Properties Holdings within fifteen (15) business days upon fulfilment (or, as the case may be, waived by the Purchasers) of all the conditions precedent to the First Equity Transfer under the Sale and Purchase Agreement (the "**First Instalment**"), among which RMB427.68 million shall be payable by Purchaser I and RMB106.92 million shall be payable by Purchaser II.

(ii) Final instalment

Subject to the Consideration Adjustment, RMB356.4 million, representing 40% of the total consideration for the Transaction, shall be payable by the Purchasers to Zhenro Properties Holdings within fifteen (15) business days upon fulfilment (or, as the case may be, waived by the Purchasers) of all the conditions precedent to the Second Equity Transfer under the Sale and Purchase Agreement (the "**Final Instalment**"), among which RMB285.12 million shall be payable by Purchaser I and RMB71.28 million shall be payable by Purchaser II.

(iii) Consideration Adjustment

According to the Letter from the Board, if the net profit of the Target Company (the "**Guaranteed Profit**") for 2021 is less than RMB60 million, the Final Instalment payable by the Purchaser will be adjusted accordingly ("**Consideration Adjustment**") as follows:

The Final Instalment payable by Purchaser I to Zhenro Properties Holdings (in RMB)	$= 285{,}120{,}000 - (60{,}000{,}000 - \rho) \times 99\% \times 80\% \times c$

The Final Instalment payable by Purchaser II to Zhenro Properties Holdings (in RMB)	$= 71{,}280{,}000 - (60{,}000{,}000 - \rho) \times 99\% \times 20\% \times c$

Note: "ρ" (being an amount less than RMB60 million) represents the net profit of the Target Company for 2021; and

"c" represents the total consideration of RMB891 million for the transaction divided by the corresponding 99% equity interest and then divided by RMB60 million, namely the Guaranteed Profit of the Target Company for the 2021.

The First Instalment paid by the Purchasers to Zhenro Properties Holdings pursuant to the First Equity Transfer under the Sale and Purchase Agreement shall not be affected by the Consideration Adjustment.

The Company will comply with the disclosure requirements under Rule 14A.63 of the Listing Rules if the actual net profit of the Target Group for the year ending 31 December 2021 is less than RMB60,000,000.

The consideration for the Transaction was determined after arm's length negotiations between the Purchasers and Zhenro Properties Holdings on normal commercial terms with reference to, among other things, (i) the appraised fair value of the Target Company of approximately RMB909 million, based on the valuation report prepared by the Independent Valuer using the market approach; (ii) the future business prospects of the Target Group and the industry in which the Target Group is engaged in; and (iii) reasons and benefits of the Transaction as stated under the paragraph headed "5. Reasons for and Benefits of the Sale and Purchase Agreement and the Consultancy Services Agreement" below. In view of the above, the Directors consider that the consideration for the Transaction (including the Consideration Adjustment) is fair and reasonable. Details of the valuation report in respect of the Target Company prepared by the Independent Valuer are set out in Appendix I to this circular.

We noted from the Annual Report 2020 that the cash and cash balances of the Group amounted to approximately RMB1,451.5 million where the interest-bearing bank and other borrowings amount to approximately RMB14 million as at 31 December 2020. We therefore concur with the management of the Company that the Company would be able to settle the maximum amount of consideration payable under the Transaction in full.

5.1.5 Conditions precedent

(i) Conditions precedent to the First Equity Transfer

The First Completion is conditional upon the following conditions precedent to the First Equity Transfer being fulfilled and/or waived (as the case may be) by the Purchasers:

(a) the passing of the necessary resolution(s) by the shareholders of the Target Company at general meeting to approve, among other things, the transfer of the Target Interest, including (i) the unanimous resolutions of all the shareholders of the Target Company to transfer the Target Interest as contemplated under the Sale and Purchase Agreement; (ii) the Remaining Shareholder having agreed to waive any right of first refusal or any other pre-emptive right; and (iii) the shareholders of the Target Company having approved the execution of the Sale and Purchase Agreement and the amended articles of association or any proposed amendments to the articles of association of the Target Company pursuant to the Sale and Purchase Agreement;

(b) the Sale and Purchase Agreement having been duly executed by all parties thereto, and remained in full force and effect and not having been rescinded, terminated or revoked as at the date of the First Completion;

(c) all representations and warranties made by Zhenro Properties Holdings and the Target Company remained true, complete, accurate, not misleading and with no material omission as at the date of the First Completion;

(d) each of Zhenro Properties Holdings and the Target Company having performed and complied with all obligations contained in the Sale and Purchase Agreement that are required to be performed or complied with by it on or before the First Completion;

(e) the audit on the Target Group for the financial year of 2020 having been completed with the audit report being issued to the satisfaction of the Purchasers; and

(f) the passing of ordinary resolution(s) by the Independent Shareholders of the Company at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

(ii) Conditions precedent to the Second Equity Transfer

The Second Completion is conditional upon the following conditions precedent to the Second Equity Transfer being fulfilled and/or waived (as the case may be) by the Purchasers:

(a) conditions precedent (a) to (d) to the First Equity Transfer having been fulfilled;

(b) the First Instalment having been paid by the Purchasers to Zhenro Properties Holdings in accordance with the Sale and Purchase Agreement;

(c) all necessary registrations required for the First Equity Transfer under the Sale and Purchase Agreement having been completed and the relevant documents and/or certifications having been provided by the Target Company, such that each of the Purchasers has become the registered shareholder of the Target Company and is entitled to the corresponding shareholder's rights; and

(d) the management accounts of the Target Company for the financial year of 2021 having been provided by the Target Company to the Purchasers and having been accepted by the Purchasers.

The Purchasers may waive the above conditions precedent to the First Equity Transfer (except for condition precedent (f) to the First Equity Transfer) and/or conditions precedent to the Second Equity Transfer at any time as they may deem reasonably appropriate.

If the conditions precedent to the First Equity Transfer are not fulfilled or waived by the Purchasers (as the case may be), the Sale and Purchase Agreement shall automatically terminate and none of the parties thereto shall have any claim against the other in respect of the Transaction save for any antecedent breach of the Sale and Purchase Agreement prior to such termination.

The Second Completion is conditional upon conditions precedent to the Second Equity Transfer being fulfilled and/or waived by the Purchasers. In the event that any of such conditions precedent are not fulfilled or waived by the Purchasers (as the case may be), the Purchasers have the right not to proceed with Second Completion, but the First Equity Transfer will not be terminated and the First Instalment will not be refunded to the Purchasers. Notwithstanding the above, the Company considers that the conditions precedent to the Second Equity Transfer are mainly procedural matters which either should have been fulfilled upon the First Completion or merely aim to facilitate the calculation of the Consideration

Adjustment. Accordingly, assuming that the First Completion has taken place, the Company currently does not contemplate that the Second Completion will not be proceeded with as a result of non-fulfillment of any condition precedent to the Second Equity Transfer.

5.1.6 Completion

(i) The First Completion

The First Completion shall take place on the day on which the First Instalment has been paid by the Purchasers to Zhenro Properties Holdings and the First Equity Transfer has been carried out by Zhenro Properties Holdings. All necessary registrations required for the First Equity Transfer under the Sale and Purchase Agreement shall be completed within thirty (30) business days after the First Completion, as a result of which the Target Company will be owned as to approximately 47.52%, 11.88%, 39.60% and 1% by Purchaser I, Purchaser II, Zhenro Properties Holdings and the Remaining Shareholder, respectively. Accordingly, upon the First Completion, the Target Company will be indirectly owned as to 59.4% by the Company and will become a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Company's financial statements. Upon the First Completion, the Target Company and other members of the Target Group will cease to be subsidiaries of Zhenro Properties and their financial results will no longer be consolidated into Zhenro Properties' financial statements.

It is expected that the First Completion will take place in late June 2021.

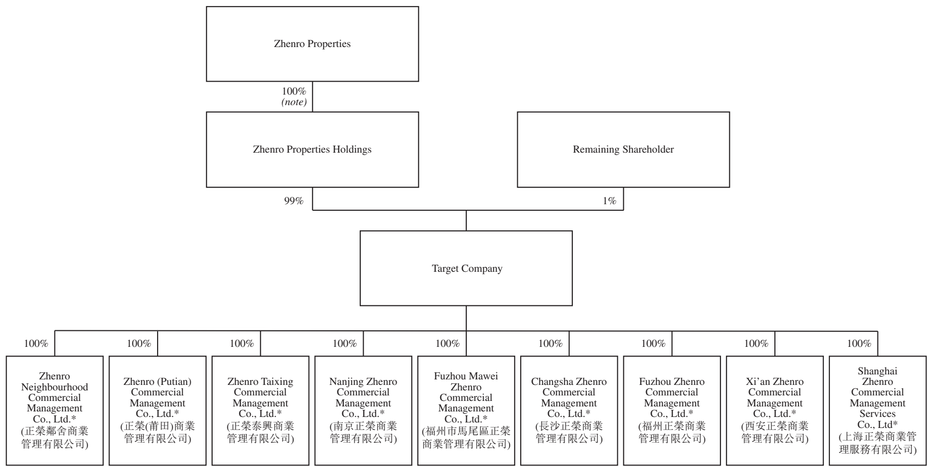
(ii) The Second Completion

The Second Completion shall take place on the day on which the Final Instalment has been paid by the Purchasers to Zhenro Properties Holdings and the Second Equity Transfer has been carried out by Zhenro Properties Holdings. All necessary registrations required for the Second Equity Transfer under the Sale and Purchase Agreement shall be completed within thirty (30) business days after the Second Completion, as a result of which, the Target Company will be owned as to approximately 79.2%, 19.8% and 1% by Purchaser I, Purchaser II and the Remaining Shareholder, respectively. Accordingly, the Target Company will be indirectly owned as to 99% by the Company and will continue to be a non-wholly owned subsidiary of the Company.

It is expected that the Second Completion will take place by 30 June 2022.

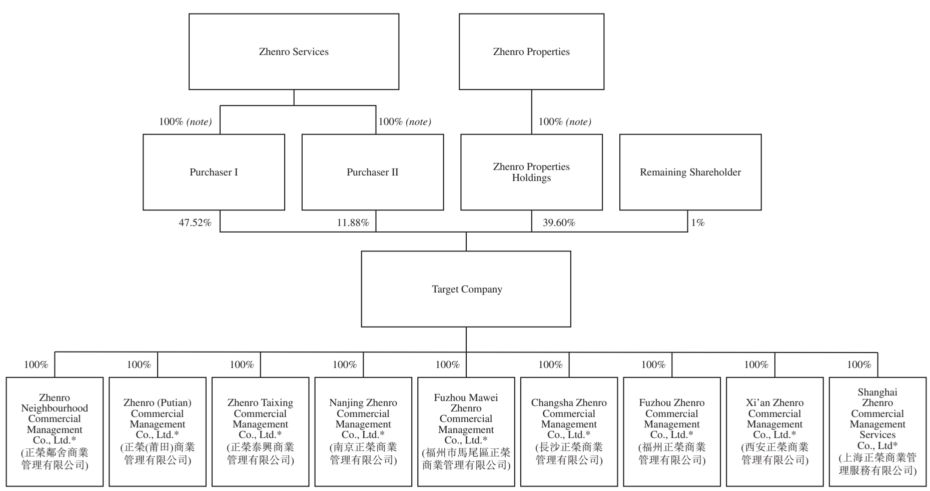
The shareholding structure of the Target Company as at the Latest Practicable Date, immediately after First Completion and Second Completion is set out below:

(i) As at the Latest Practicable Date



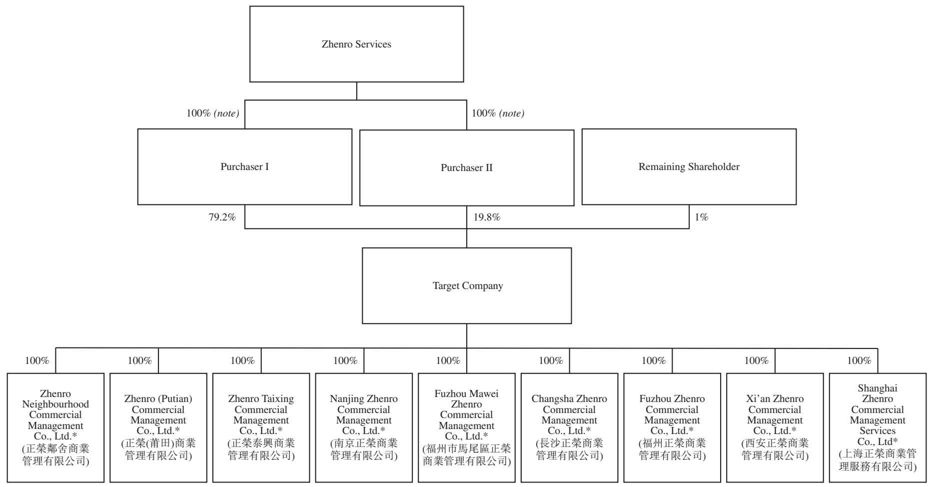
Note: Indirect interest

(ii) Immediately after First Completion



Note: Indirect interest

(iii) Immediately after Second Completion



Note: Indirect interest

5.2 *Principal terms of the Consultancy Services Agreement*

As a result of the Transaction, the Target Company will become a non-wholly owned subsidiary of the Company and the transactions between Zhenro Properties Group and the Target Group will become continuing connected transactions for each of Zhenro Properties and the Company under Chapter 14A of the Listing Rules.

On 19 May 2021, the Target Company and Zhenro Properties entered into the Consultancy Services Agreement in relation to the provision of commercial property management and consultancy services by the Target Group to Zhenro Properties Group.

Certain principal terms of the Consultancy Services Agreement are summarised as follows:

5.2.1 Date

19 May 2021

5.2.2 Parties

(i) the Target Company

(ii) Zhenro Properties

5.2.3 Term

For a period from the date of passing the relevant resolution by the Independent Shareholders at the EGM approving the Consultancy Services Agreement to 31 December 2022 (both days inclusive).

5.2.4 Subject matter

Pursuant to the Consultancy Services Agreement, the Target Group has agreed to provide commercial property operational and consultancy services to Zhenro Properties Group, including but not limited to (i) pre-acquisition services in respect of land for commercial properties, office buildings, apartments and hotels (including but not limited to commercial land researches, commercial related consultancy and studies, etc.) (the "**Pre-Acquisition Services**"); (ii) early-stage services for commercial property projects having been obtained (including but not limited to project positioning, business planning, store location, architectural design, optimisation of mechanical and electrical engineering technology, planning for tenant sourcing and opening, commercial lease planning, management fee estimation and preparation of lease decision documents, etc.) (the "**Early-Stage Services**"); (iii) opening preparation services for commercial property projects having been obtained (including but not limited to tenant sourcing, marketing and promotion, pre-opening, renovation construction, etc.) (the "**Opening Preparation Services**"); (iv) management services for property projects that have commenced operations (the "**Management Services**"); and (v) specialised consultancy services (the "**Specialised Consultancy Services**", together with the Pre-Acquisition Services, the Early-Stage Services, the Opening Preparation Services and the Management Services, the "**Consultancy Services**"). The Specialised Consultancy Services include a range of services such as research and analysis on industry trend and development potential, related polices, customers' analysis, operation analysis, data analysis and business planning for any specific industry requested by Zhenro Properties Group which may include elderly care services, hotel industry, community services, leasing apartment industry and educational services and other industries which are considered by Zhenro Properties Group.

The Consultancy Services Agreement is a framework agreement which provides the mechanism for the provision of the Consultancy Services by the Target Group to Zhenro Properties Group. It is envisaged that from time to time and as required, individual agreements will be entered into between the Target Group and Zhenro Properties Group, setting out the relevant Consultancy Services to be provided by the Target Group to Zhenro Properties Group and the respective service fees. The individual agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Consultancy Services Agreement, including the pricing policy. The term of such individual agreements shall not exceed the term of the Consultancy Services Agreement. As the individual agreements are simply further elaborations on the Consultancy Services Agreement, they do not constitute new categories of connected transactions under Chapter 14A of the Listing Rules.

5.2.5 Pricing policy

The basis of determining the service fees payable by Zhenro Properties Group to the Target Group in respect of the Consultancy Services contemplated under the Consultancy Services Agreement will be determined in the ordinary course of business, on normal commercial terms, and shall be negotiated on an arm's length basis after taking into account, including but not limited to (i) the size, location and condition of the property; (ii) the nature and scope of the service; (iii) expected operating costs (including but not limited to personnel costs, administrative costs and relevant costs); (iv) prevailing market prices for similar services provided to similar properties; and (v) prices that the Target Group charges for providing similar services to independent third parties.

5.2.6 Historical transaction amounts

According to the Letter from the Board, the approximate historical aggregate transaction amounts of service fees in respect of the Consultancy Services provided by the Target Group to Zhenro Properties Group for the three financial years ended 31 December 2020 are set out below:

For the year ended 31 December 2018	RMB33,566,000
For the year ended 31 December 2019	RMB33,040,000
For the year ended 31 December 2020	RMB72,660,000

The increase in historical transaction amounts from 2019 and 2020 was attributable to the expanded scope of Consultancy Services provided by the Target Group to Zhenro Properties Group and the increase in number of properties managed by the Target Group. In 2019, the Target Group only provided Pre-Acquisition Services, Opening Preparation Services and Management Services to the Zhenro Properties Group. In 2020, the Target Group also started to provide Early-Stage Services and Specialised Consultancy Services to the Zhenro Properties Group and the aggregate service fees from such two additional services amounted to RMB27.78 million. The Target Group will continue to provide the five types of services under the Consultancy Services Agreement to Zhenro Properties Group in 2021 and 2022.

As Zhenro Properties Group will continue to have new commercial properties, it is expected that the transaction amount under the Consultancy Services Agreement for the year ending 31 December 2021 will represent approximately 10% increment compared with the transaction amount for the year ended 31 December 2020 and a further 12.5% increment for the year ending 31 December 2022 having considered the increase in number of projects of Zhenro Properties Group which are expected to receive services from the Target Group under the Consultancy Services Agreement in 2021 and 2022.

The total number of projects receiving Early-Stage Services, Management Services and Opening Preparation Services from the Target Group increased to 14 in 2020 from 7 in 2019. It was expected that Zhenro Properties Group will have a total of 22 and 28 projects receiving Early-Stage Services, Management Services and Opening Preparation Services from the Target Group in 2021 and 2022 respectively.

5.2.7 Proposed annual caps

The proposed annual caps of the Consultancy Services contemplated under the Consultancy Services Agreement for each of the financial years ending 31 December 2021 and 2022 are set out below:

For the year ending 31 December 2021	RMB80,000,000
For the year ending 31 December 2022	RMB90,000,000

The proposed annual caps of the Consultancy Services contemplated under the Consultancy Services Agreement are determined with reference to (i) the historical transaction amounts of service fees in respect of the Consultancy Services provided by the Target Group to Zhenro Properties Group for the year ended 31 December 2020; (ii) the anticipated volume of Consultancy Services required to be provided by the Target Group to Zhenro Properties Group for the two years ending 31 December 2022, taking into account the projects volume and the project development plan of Zhenro Properties Group during such period; and (iii) the expected service fees to be charged by the Target Group for the provision of the Consultancy Services.

6. Reasons for and benefits for the Sale and Purchase Agreement and the Consultancy Services Agreement

6.1 The Sale and Purchase Agreement

According to the Letter from the Board, the development direction and goal of the Company has been to further improve the Company's market position in the PRC's property management industry and enhance the Company's comprehensive service capabilities in the property management industry on the existing basis. In addition to focusing on acquisition targets in the residential property sector, the Company has been considering and seeking to find suitable acquisition targets in commercial management sector as the commercial operational management sector has attracted more interest from peers in general as a result of the current trend and preference of investors to invest in companies with integrated residential and commercial operational management service capabilities.

(i) The growing demand for commercial operation and management services for commercial properties the PRC

As illustrated in the section headed "Information on the Zhenro Services Group – 4. Industry outlook", according to the National Bureau of Statistics of China, the percentage of population living in urban areas in the PRC increased by approximately 1.0 percentage point to approximately 60.6% from 31 December 2018 to 31 December 2019. Moreover, there was continuous growth in disposable income per capita for urban population in the PRC, which amounted to RMB43,834 for 2020, represented a approximately 3.5% year-on-year growth. As a result of the urbanization and the growth in disposable income per capita of urban residents, PRC consumers may demand better living conditions as well as quality property management services, which may be the drivers for the growth of the property management industry.

From 1999 to 2019, the aggregate development investment amount in commercial properties in the PRC amounted to approximately RMB14.3 trillion, with a CAGR of approximately 17.3% from 2013 to 2019, and is expected to reach approximately RMB19.0 trillion by 2023, with a CAGR of approximately 7.5% from 2019 to 2023. Shopping centre refers to the building or confined area which contains various retail shops and service facilities. Shopping centre is one of the core types of commercial properties due to its size and earning potential. The number of shopping centres in the PRC increased from 1,517 as of 31 December 2013 to 5,221 as of 31 December 2019, representing a CAGR of approximately 22.9%.

We noted the PRC Government has been focusing on improving consumption environment, promoting commercial development and long-term growth of economies. For example, National Development and Reform Commission, together with nine ministries, issued the Implementation Plan for Further Optimizing Supply to Promote the Stable Consumption Growth and Facilitating the Formation of a Strong Domestic Market* (進一步優化供給推動消費平穩增長促進形成強大國內市場的實施方案) on 28 January 2019 to accommodate the trend of consumption upgrade. The Ministry of Commerce, together with 13 ministries, issued the Guiding Opinions of 14 Departments Including the Ministry of Commerce on the Cultivation and Development of International Consumption Cities* (商務部等14部門《關於培育建設國際消費中心城市的指導意見》) on 14 October 2019 to further develop international consumption cities. Following the guidance of the central government, municipal governments in various cities, such as Shenzhen and Guangzhou, have also issued tailored policies and measures to encourage consumption. With the support of these policies, the increase in domestic consumption is expected to stimulate the demands for commercial property management services.

Further, according to 2021 research report on the Top 100 Property Management Enterprises in the PRC* (2021中國物業服務百強企業研究報告) published by CIA in April 2021, the average GFA under the management of the Top 100 Property Management Companies reached approximately 48.8 million sq.m. in 2020, representing a year-on-year growth of 14.02%. In addition, the average operating revenue of the Top 100 Property Management Companies reached approximately RMB1,174.0 million in 2020, representing a year-on-year growth of 12.81%. In addition to mergers and acquisitions, the Top 100 Property Management Companies also use high-quality services, professional and efficient management models to obtain the open market information and seeking cooperation opportunities.

In light of the above, we concur with the management of the Company that there is a growing demand for commercial operation and management services for commercial properties the PRC, and the Transaction will enable the Group to further improve the Company's market position in the PRC's property management industry and enhance the Company's comprehensive service capabilities in the property management industry on the existing basis thereby enabling the Group to remain competitive in the market.

(ii) Enhance the revenue and profitability of the Group

As disclosed in the Letter from the Board, upon the First Completion, the Target Company will be indirectly owned as to 59.4% by the Company and will become a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Company' financial statements. Upon the Second Completion, the Target Company will be owned as to 99% by the Company.

For the year ended 31 December 2020, the Target Group recorded revenue and net profits before taxation of approximately RMB145.0 million and RMB43.9 million, respectively. We understood from the management of the Company that the Company has been all along striving to find suitable property management companies from the market and considers the Target Group a suitable commercial operational management target that can achieve the development direction and goal of the Group to improve its market position in commercial management and operational sectors whereby enhancing the profitability of the Group. The acquisition of the Target Group can expand its market position in the property management industry in the PRC.

We have reviewed the portfolio of the commercial projects that are currently under the management of the Target Group. We noted the Target Group has over 20 existing commercial projects located in major cities in the PRC such as Shanghai,

* *For identification purpose only*

Nanjing, Chengdu, Fuzhou, Changsha and Putian. We understood from the management that the acquisition as contemplated under the Sale and Purchase Agreement could bring synergy effect to further strengthen the market position of the Company in those cities.

Moreover, we have reviewed the list of new projects that the Target Group is currently in negotiation which are expected to bring an additional source of revenue to the Company. We concur with the management of the Company that the Target Group has growth potential in the next few years.

Accordingly, we concur with the Directors' view that the Target Group is expected to contribute to the Group's revenue and profitability upon completion of Transaction.

(iii) Reputable brand of the Target Group

As disclosed in the Letter from the Board, the Target Group has built a reputable brand in the industry and the management of the commercial properties under the "Zhenro" brand name by the Target Group provides a better effect in achieving the integration of both residential and commercial management service capabilities.

We understood from the management of the Company that the Target Group has created the commercial brand names of "Zhenro Centre* (正榮中心)", "Zhenro Fortune Centre* (正榮財富中心)", "Zhenro Neighbourhood* (正榮鄰舍)". We noted the Target Group (i) ranks among the Top 17 China's commercial real estate companies in terms of comprehensive strength and China's real estate companies in terms of commercial property value in 2020 according to EH Consulting (億翰智庫); (ii) was awarded the Top 20 China Commercial Real Estate Enterprise in terms of Comprehensive Strength the Outstanding Commercial Real Estate Enterprise in China by Economic Observer (經濟觀察報) in 2018; and (iii) was awarded the Outstanding China Shopping Centre Enterprise Award by China Shopping Mall Development Forum (中國購物中心發展論壇) in 2017 by CIA in March 2021.

As such, we concur with the management of the Company that as compare to other target companies with different brand names, the integration of both residential and commercial management service capabilities under the "Zhenro" brand name by the Target Group could increase the overall value of the Group as a whole in the long run.

* *For identification purpose only*

(iv) Consideration Adjustment mechanism to safeguard the Company's interest

According to the Letter from the Board, if the net profit of the Target Company for the year ending 31 December 2021 is less than RMB60.0 million (the "**Guaranteed Profit**"), the Final Instalment payable by the Purchaser will be adjusted accordingly.

According to the Letter from the Board, the Guaranteed Profit was derived based on arm's length negotiations among the parties with reference to the price-to-earnings ratios the comparable companies, each being a company listed on the Main Board of the Stock Exchange which is principally engaged in property management services and the prospects of the Target Group as set out in the section headed "5. Reasons for and benefits of the Sale and Purchase Agreement and the Consultancy Services Agreement" in the Letter from the Board. We have reviewed the portfolio of the commercial projects that are currently under the management of the Target Group.

We understood from the management of the Company that apart from the basis in determining the Guaranteed Profit, they have also considered the expected net profit to be generated by the Target Group based on the commercial projects that the Target Group's existing commercial projects and the new projects that they are in negotiation and the future prospect of the industries in which the Target Group operate.

In assessing the basis in determining the Guaranteed Profit of the Target Group, apart from assessing the P/E ratios as discussed under section headed "Assessment of the Consideration" below, we have reviewed (i) the list of existing commercial projects of the Target Group and noted the Target Group are managing over 20 commercial projects in different cities; (ii) the list of new projects that the Target Group is currently in negotiation which are expected to bring contribute positively to the revenue and net profit of the Target Group. We have also discussed the future prospect of the industries in which the Target Group operation with the management of the Company. We have also reviewed the industries reports as discussed in section headed "Information on the Zhenro Services Group – 4. Industry outlook" and the favourable government policies as discussed in paragraph headed "(i) the growing demand for commercial operation and management services for commercial properties the PRC" above.

Taking into account that (i) there is the adjustment mechanism to provide the Company with extra comfort in the event that the financial performance of the Target Group fail to meet the Company's expectation in 2021; (ii) the Final Instalment payable by the Purchaser will be reduced if the net profit of the Target Company for the year ending 31 December 2021 is less than RMB60.0 million; (iii) the Final Instalment will be paid after the management accounts of the Target Company for the financial year of 2021 having been provided by the Target

Company to the Purchasers and having been accepted by the Purchasers to adequately mitigate counterparty risk; (iv) there is no upward adjustment for the total consideration to be paid by the Company in the event that the net profit of the Target Company for the year ending 31 December 2021 exceeds RMB60.0 million; and (v) the adjustment mechanism will reduce the Final Instalment payable by the Group in the event the net profit of the Target Company for the year ending 31 December 2021 is less than RMB60.0 million without incurring any extra costs, we concur with the Directors' view that such mechanism will be a favourable arrangement for the Company.

Taking into consideration that (i) the growing demand for commercial operation and management services for commercial properties the PRC; (ii) the Transaction would enhance the revenue and profitability of the Group; (iii) the reputable brand of the Target Group; (iv) the consideration adjustment mechanism is in place to safeguard the Company's interest; and (v) the Transaction is in line with the Company's objective to broaden its income source and bring stable cash inflow to the Company, we concur with the Directors' view that the Transaction is in the interest of the Company and the Shareholders as a whole.

6.2 Consultancy Services Agreement

As a result of the Transaction, the Target Company will become a non-wholly owned subsidiary of the Company and the transactions between Zhenro Properties Group and the Target Group will become continuing connected transactions for each of Zhenro Properties Group and the Company under Chapter 14A of the Listing Rules.

According to the Letter from the Board, the Target Group has been providing Consultancy Services regarding commercial properties of Zhenro Properties Group, which commenced from land pre-acquisition, through construction stage all the way to commercial operation and is familiarised with Zhenro Properties Group' strategy and requirements.

We understood from the management of the Company that Zhenro Properties will continue to engage the Group to provide consultancy services regarding commercial properties of Zhenro Properties Group, due to (i) the established long-term cooperation relationship between Zhenro Properties Group and the Company; (ii) Zhenro Properties believes as compared to other services providers who are independent third parties, it will maintain better and more efficient communication with the Group; and (iii) the Group has more thorough understanding of the conditions of their property projects and the requirements of the services that Zhenro Properties needed.

Having considered that (i) Zhenro Properties is a leading real estate company in the industry and the long-standing cooperation between the Target Group and the Zhenro Properties Group; (ii) the Consultancy Services to be provided to Zhenro Properties Group is one of the principal activities of the Target Group; (iii) the Target Group has the discretion on whether or not to provide the service to Zhenro Properties Group; (iv) the terms offered to Zhenro Properties Group for the Consultancy Services will be no less favourable than those available independent customers for similar Consultancy Services; (v) the Consultancy Services Agreement will enable the Group to continue its capitalisation on such relationship and to maintain a stable income stream with Zhenro Properties Group; and (vi) the entering into of the Consultancy Services Agreement shall not restrict the Group's choice to offer the services to any other customers, we concur with the Directors' view that the entering into of the Consultancy Services Agreement with Zhenro Properties Group is expected to contribute stable income to the Target Group, whereby improving the profitability of the Group and is in the interest of the Group and its Shareholders as a whole.

7. The proposed annual caps under Consultancy Services Agreement

According to the Letter from the Board, the proposed annual caps of the Consultancy Services contemplated under the Consultancy Services Agreement for each of the financial years ending 31 December 2021 and 2022 are RMB80.0 million and RMB90.0 million, respectively.

In assessing the fairness and reasonableness of the proposed annual caps of the Consultancy Services contemplated under the Consultancy Services Agreement, we have discussed with the management of the Company regarding the principal assumptions and basis adopted for determining the proposed annual caps. According to the Letter from the Board, the proposed annual caps of the Consultancy Services contemplated under the Consultancy Services Agreement are determined with reference to (i) the historical transaction amounts of service fees in respect of the Consultancy Services provided by the Target Group to Zhenro Properties Group for the year ended 31 December 2020; (ii) the anticipated volume of Consultancy Services required to be provided by the Target Group to Zhenro Properties Group as of 31 December 2022, taking into account the projects volume and the project development plan of Zhenro Properties Group during such period; and (iii) the expected service fees to be charged by the Target Group for the provision of the Consultancy Services.

According to the Letter from the Board, the Target Group will provide commercial property operational and consultancy services to Zhenro Properties Group. Out of the five services to be provided by the Target Group to Zhenro Properties Group, we understood from the management of the Company that the Target Group will mainly provide Management Services, Early-Stage Services and Opening Preparation Services to Zhenro Properties Group.

Management Services mainly includes management services for property projects that have commenced operations. Early-Stage Services mainly includes project positioning, business planning, store location, architectural design, optimisation of mechanical and electrical engineering technology, planning for tenant sourcing and opening, commercial lease planning, management fee estimation and preparation of lease decision documents, etc. for commercial property projects having been obtained. Opening Preparation Services mainly includes tenant sourcing, marketing and promotion, pre-opening, renovation construction, etc. for commercial property projects having been obtained.

We have further reviewed a schedule provided by the management of the Company which sets out, among others, the list of Zhenro Properties Group's commercial properties that the Target Group are providing services to and will be providing service to in upcoming years with details of those properties, including but not limited to their size and the location, the nature of service and the management fee et cetera (the "**Schedule**").

We understood from the management of the Company that for both Management Services and Opening Preparation Services, the Target Group would charge a service fee based on the size of the commercial properties, while for Early-Stage Services, the Target Group would charge a one-time service fee on project basis.

According to the Letter from the Board, the transaction amounts of service fees in respect of the Consultancy Services provided by the Target Group to Zhenro Properties Group for the year ended 31 December 2020 amounted to approximately RMB72.7 million.

We noted from the Schedule that are 5 of the commercial properties held by Zhenro Properties Group are currently under the management of the Target Group and 5 and 9 additional commercial properties would require services from the Target Group in 2021 and 2022, with expected service fee payable to the Zhenro Properties Group of approximately RMB7.6 million and RMB12.9 million, respectively. We were advised by the management of the Company that approximately RMB32.4 million of service fee in respect of Management Service under Consultancy Services were provided by the Target Group to Zhenro Properties Group for the year ended 31 December 2020. We further noted from the Schedule that the Target Group had been and will be providing Consultancy Services, including but not limited to Early-Stage Service and opening Preparation Services to properties developed by Zhenro Properties Group. We were advised by the management of the Company that the Target Group has provided Early-Stage Service to 8 commercial projects of Zhenro Properties Group in 2020 and the service fee amounted to approximately RMB20.6 million. As set out in the Schedule, the Target Group expect to provide Early-Stage Service to 13 and 13 commercial projects of Zhenro Properties Group in 2021 and 2022, with expected service fee payable to the Zhenro Properties Group of approximately RMB40.9 million and RMB49.2 million, respectively. We understood from the management of the Company that seven out of 13 commercial projects in 2021 and one out of 13 commercial projects in 2022 are expected to require Management Service by the Target Group in the future. We were further advised by the management of the Company that the Target Group has provided Opening Preparation Service to 1 commercial projects of Zhenro Properties Group in 2020 and the service fee amounted to approximately RMB9.5 million. As set out in the Schedule, the Target Group expect to provide Opening Preparation Service to 4 and 6 commercial projects of Zhenro Properties Group in 2021 and 2022, with expected service fee payable to the Zhenro Properties Group of approximately RMB19.4 million and RMB17.1 million, respectively.

We have reviewed the Zhenro Properties Annual Report 2020 and noted Zhenro Properties Group held 14 investment properties as at 31 December 2020, of which 7 has commenced leasing as at 31 December 2020. Regarding the properties that are developing by Zhenro Properties Group, we have further reviewed Zhenro Properties Annual Report 2020 and noted Zhenro Properties Group, together with its joint ventures and associates' contracted sales increased from approximately RMB130.7 billion to approximately RMB141.9 billion as discussed under section headed "3.2 Financial performance of the Target Group". We further noted as at 31 December 2020, Zhenro Properties Group had a land bank with GFA of 28.5 million sq.m. in 32 cities in the PRC, of which 82% is located in first-tier and second-tier cities. Zhenro Properties Group's equity interest (in terms of GFA) in the land bank increased from approximately 55% as at 31 December 2019 to approximately 58% as at 31 December 2020, which is expected to increase the sales attributable to Zhenro Properties Group in the future. We further noted from the Zhenro Properties Annual Report 2020 that to capitalise on the rapid consolidation of the industry and the more fragmented market, Zhenro Properties Group will seize opportunities for investment and focus on improving both the operational quality and efficiency. Zhenro Properties Group will focus its investment in first and second-tier cities and their metropolitan circles, so as to fully explore investment opportunities through diversified ways. Zhenro Properties Group has set the 2021 contracted sales target of RMB150.0 billion. Its sufficient and high-quality saleable resources will support Zhenro Properties Group in achieving a high quality and sustainable growth.

We noted from the Schedule that Zhenro Properties Group has 5 commercial properties that are expected to commence leasing in 2021 and 4 commercial properties that are expected to commence leasing in 2022 and such commercial properties would require Early-Stage Services and Opening Preparation Services from the Target Group. Moreover, upon the commencement of leases, those properties would require Management Services from the Target Group in 2021 and 2022.

We have reviewed the Zhenro Properties Annual Report 2017 and the Zhenro Properties Annual Report 2020 and noted the rental income of Zhenro Properties Group increased from approximately RMB71.4 million for the year ended 31 December 2017 to approximately RMB118.9 million, representing a CAGR of approximately 18.5%. We further noted the number of investment properties of Zhenro Properties Group increased from 11 as at 31 December 2017 to 14 as at 31 December 2020, with the total GFA increased from approximately 761,772 sq.m. as at 31 December 2017 to 862,228 sq.m. as at 31 December 2020.

Considering (i) the historical transaction amount of the Consultancy Services provided by the Target Group to Zhenro Properties Group, where the proposed annual caps for the year ending 31 December 2021 of approximately RMB80.0 million represents a growth of approximately 10% of the approximate historical aggregate transaction amounts of service fees in respect of the Consultancy Services provided by the Target Group to Zhenro Properties Group for the year ended 31 December 2020; (ii) the number of commercial properties held by Zhenro Properties Group that are expected to be managed by the Target Group going forward (iii) the number of commercial properties of Zhenro Properties Group that are under development in 2021 and 2022 that would require Early-Stage Services, Opening Service, where they would also require Management Services by the Target Group upon the commencement of leasing in 2021 and 2022; and (iv) the increasing scale of operation of Zhenro Properties Group, we concur with the management of the Company that the proposed annual caps are justifiable.

8. Assessment of the Consideration

8.1 Valuation Report

In assessing the fairness and reasonableness of the consideration of the Transaction, we consider it is a common practice to determine a consideration for an acquisition by taking into account, among other factors, the appraised value of the subject of an acquisition estimated by a valuation report prepared by an independent professional valuer. We have obtained and reviewed the Valuation Report and the underlying calculation spreadsheet and enquired with the Valuer, among other things: (i) the terms of engagement and the scope of work of the Valuer; (ii) the qualification and independence of the Valuer; (iii) the procedures and major assumptions adopted by the Valuer; and (iv) the selection of valuation methodology taken by the Valuer for the valuation.

Scope of work

We have reviewed the terms of engagement of the Valuer and consider that the scope of work is appropriate to the valuation and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report. We also understand from the Valuer that it conducted the valuation in accordance with the International Valuation Standards issued by International Valuation Standards Council.

The Valuer's qualification and independence

We have enquired the qualification, experience and independence of the Valuer in relation to the performance of the valuation. We were given to understand that the Valuer is certified with the relevant professional qualifications and experience. The Valuer has also confirmed that they are independent to the Group, the Target Group and their respective associate and all relevant material information provided by the Group had been incorporated in the valuation report. Based on the above, we are of the view that the Valuer is qualified to perform the valuation.

Procedures and major assumptions adopted by the Valuer

We have enquired with and were advised by the Valuer that they had performed necessary due diligence works for the preparation of the Valuation Report, which includes, among others, enquiries in relation to the financial information of the Target Company and examination of further information where necessary. We noted that the Valuer has made major assumptions, including but not limited to that (i) there will be no material change in the existing political, legal, technological, fiscal or economic conditions in China, and where the Target Company and its wholly-owned subsidiary are carrying on its businesses; (ii) the operational and contractual terms stipulated in the relevant contracts and agreements will be honoured; (iii) the facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge; and (vi) there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value.

Selection of valuation methodology

We have further reviewed and enquired with the Valuer on the methodology and the key assumptions adopted in the Valuation Report. In performing the valuation of the Target Company and its wholly-owned subsidiaries, the Valuer considered three valuation approaches, namely the market approach, cost approach and income approach. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It introduces objectivity in application as publicly available input are used. The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Lastly, the income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs and it presents a single scenario only.

According to the Valuation Report, market approach was adopted for the valuations of the Target Company. We understand from the Valuer that in determining the selection of valuation approach used, the Valuer has considered the business nature, the current financial position, the future prospective of the Target Company and also the availability and reliability of information provided. We understand that the Valuer had considered the merits and limitations of the aforesaid valuation methodologies as well as the status of the Target Company as at the valuation date, including, among other, the Target Company is principally engaged in provision of commercial operation and management services for commercial properties. Therefore, the value of the Target Company would largely depend on the economic benefits it derives from its business operations. The cost approach is inappropriate to be used in the valuation of the Target Company as it does not directly incorporate information about the economic benefits contributed by the Target Company. We also understand from the Valuer that the income approach is inappropriate for the valuation of the Target Company because the income approach, while being able to account for the future earnings power, depends considerably on the financial forecast made by the management of the Company and the bases for the underlying assumptions. As advised by the Valuer, as at the Valuation Report date, detailed operational information and long-term financial projection is not available and it would be appropriate not to rely on projections of financial performance. Accordingly, having considered (i) the nature of the Target Company's operating activities and operating model; and (ii) the audited financial information of the Target Company were available to the Valuer as a reliable basis to evaluate the Target Company by performing a multiple analysis with reference to the share value and pricing multiples of a number of comparable listed companies in the same or similar industry as the Target Company, we concur with the Valuer that the market approach should be adopted for the valuation of the Target Company.

We noted that the Valuer performed a multiples analysis which uses the price to earnings ratio (the "**P/E ratio**") ratio for the purpose of arriving at the Target Company's valuation. We are advised by the Valuer that P/E ratio is adopted as the valuation multiple due to the fact that earnings reflect the overall operating efficiency, and financial health of a profit-making company. The market value of equity interest in the Target Company is developed through application of the market approach technique known as the guideline public companies method, which requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the Target Company. The Valuer searched for listed companies in the provision of management services to commercial real estate services industry (the "**Comparable Companies**") in the Stock Exchange, which are mainly engaged in the provision of management services to commercial real estate services in mainland China. We have discussed with the Valuer the selection criteria of such Comparable Companies and reviewed the scope of business of the Comparable Companies. We have also performed our own search for the comparable companies based on the selection criteria adopted by the Valuer and obtained the same results of comparable companies as chosen by the Valuer. As such, we are of the view that (i) the selection criteria are fair and reasonable; (ii) the list of the comparable companies is exhaustive; and (iii) it is fair and reasonable to derive the financial multiple from these comparable companies.

Discount for lack of marketability

Since the shares of the Target Company are not publicly traded, a discount for lack of marketability (the "**DLOM**") was applied in the valuation to discount for lack of ability of converting shares of the Target Company into immediate cash. The

Valuer determined a DLOM of 15.8% was appropriate for the valuation of the Target Company, with reference to the 2020 edition of the Stout Restricted Stock Study, which is a DLOM database consisting of over 700 restricted stock transactions data across up to 60 data fields and which is updated and vetted quarterly to provide empirical support to quantify marketability discounts used in the business valuations. We have reviewed the relevant studies and discussed with the Valuer regarding the DLOM. Given the similarity in the characteristics of lack of marketability of the shares of the Target Company and the stocks under the study in terms of the liquidity of shares, we consider that the discount rate of 15.8% for determining the DLOM for the shares of the Target Company and the DLOM applied to the valuation of the Target Company is fair and reasonable. We have also reviewed circulars of transactions conducted by companies listed on the Stock Exchange on best-effort and exhaustive bases over the past three months which (i) the nature of transactions involved acquisition of or investment in equity interest of the target companies which are not publicly traded; (ii) contained valuation reports prepared by independent valuers; and (iii) involved DLOM, and we noted that Stout Restricted Stock Study is adopted in more than one third of such circulars in the determination of DLOM.

Control premiums and discount for lack of control

We noted that the Valuer has taken into consideration of control premium in arriving the target valuation. According to the Valuer, the control premium of 27.4% was applied in determining the Consideration, since the value of the controlling interest in a company is usually higher than the minority interest, in view of the greater power to control the company for controlling shareholders. We noted from the Valuation report that the Valuer adopted a control premium with reference to the Control Premium Study (4th Quarter 2020) by Factset Mergerstat (the “**Study**”).

We have reviewed the Study and noted it included the data derived from market transactions including privately held, publicly traded and cross-border transactions and its statistics are updated quarterly. We have discussed with Valuer and noted it is an independent provider for merger and acquisition transaction data, a widely accepted reference for control premium applied on business valuation and that the aforesaid reference represents the latest available information at the valuation date (i.e. 31 March 2021). In considering whether the Study is a common source for adopting the control premium, we have also reviewed the recent circulars of transactions conducted by companies listed on the Stock Exchange on best-efforts bases over the past three months which (i) the nature of transactions involved acquisition of or investment in equity interest of the target companies which are not publicly traded; (ii) contained valuation reports prepared by independent valuers; and (iii) involved control premiums, and we noted that statistics from Factset Mergerstat were adopted in 40% of such circulars in the determination of control premium. As such, we concur with the Valuer that it is appropriate to make reference to the Study in determining the control premium of 27.4%.

Based on our review on the Valuation Report and having considered (i) our assessment of the scope of work of the Valuer; (ii) qualification and independence of the Valuer; (iii) the procedures and major assumptions adopted by the Valuer; (iv) the methodology being applied in the valuation; (v) the aforesaid fair value as extracted from the Valuation Report to be a relevant valuation reference point and be included as part of our analysis for assessing the fair and reasonableness of the Consideration; and (vi) the Comparable Companies used by the Valuer in the valuation, we are of the view that the Appraised Value of the Target Company was arrived at after due and careful consideration and concur with the view of the management of the Company that the consideration of the Transaction is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

8.2 Assessment of Consideration

In assessing the fairness and reasonableness of the consideration of the Transaction, we have also compared the price to earnings ratio (the "**P/E ratio**") and the price to book ratio (the "**P/B ratio**") of the Comparable Companies. Considering the P/E ratio and P/B ratio are the commonly accepted benchmarks in the comparison of valuation of companies against their industry peers and we are not aware of any specific circumstances that would make such analyses inappropriate, we have adopted them for the purpose of our analyses. Set out below is our analysis on the Comparable Companies:

Stock code	**Company Name**	**Principal business** *(Note 1)*	**P/E ratio** *(Notes 2 & 5)* *times*	**P/B ratio** *(Notes 3 & 5)* *times*
1502	Financial Street Property Co., Limited	Principally engaged in property management and related services	13.9	1.4
6668	E-Star Commercial Management Company Limited	Principally engaged in commercial property operation services	31.7	25.2
6989	Excellence Commercial Property & Facilities Management Group Limited	Principally engaged in property management services and related services	31.1	3.2
9909	Powerlong Commercial Management Holdings Limited	Principally engaged in commercial operation services	50.6	7.2
9916	Xingye Wulian Service Group Co. Ltd	Principally engaged in property management services	8.4	1.2

Stock code	Company Name	Principal business *(Note 1)*	P/E ratio *(Notes 2 & 5)* *times*	P/B ratio *(Notes 3 & 5)* *times*
		Minimum	8.4	1.2
		Maximum	50.6	25.2
		Average	27.1	7.6
	The Target Group	Principally engaged in commercial operation and management services for commercial properties	27.2	12.3 *(Note 4)*

Notes:

1. The commercial property revenue/gross profit disclosed in the latest annual report or annual result accounts for more than 50% of the total revenue/gross profit.

2. The P/E ratio is calculated by dividing the market capitalization as at 18 May 2021 (the last trading day immediately before the date of the Sale and Purchase Agreement) of the Comparable Companies with their earnings attributable to owners as extracted from the latest relevant financial reports of the Comparable Companies.

3. The implied P/E ratio of the Target Group is calculated by dividing the Consideration of RMB891,000,000 by 99% (to derive the 100% value of the Target Group) and further divided by its profit for the year of the Target Group of RMB33,036,000 for the year ended 31 December 2020. The P/B ratio is calculated by dividing the market capitalization as at 18 May 2021 (the last trading day immediately before the date of the Sale and Purchase Agreement) of the Comparable Companies with their net assets values attributable to owners as extracted from the latest relevant financial reports of the Comparable Companies.

4. The implied P/B ratio of the Target Group is calculated by dividing the Consideration of RMB891,000,000 by 99% (to derive the 100% value of the Target Group) and further divided by its audited net assets of the Target Group of RMB73,263,000 as at 31 December 2020.

5. The conversion of RMB into HK$ is made, for illustrative purpose only, at the rate of RMB1 to HK$1.21.

As illustrated in the above, the P/E ratio of the Comparable Companies ranges from a minimum of approximately 8.4 times to a maximum of approximately 50.6 times with an average of approximately 27.1 times. The implied P/E ratio of the Target Group of approximately 27.2 times is within the range of those of the Comparable Companies.

As illustrated in the above, the P/B ratio of the Comparable Companies ranges from a minimum of approximately 1.2 times to a maximum of approximately 25.2 times with an average of approximately 7.6 times. The implied P/B ratio of the Target Group of approximately 12.3 times is within the range of those of the Comparable Companies.

Having considered that (i) the valuation methodology applied and the selection criteria of the Comparable Companies to derive the financial multiple are fair and reasonable; (ii) the consideration of the Transaction is the same as the Appraised Value of the Target Group in the Valuation Report; and (iii) the implied P/E ratio and P/B ratio of the Target Group on the above analyses are within the ranges of the Comparable Companies, we concur with the view of the management of the Company that the consideration of the Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

9. Estimated financial impact of the Transaction

9.1 Earnings

As the Target Group will become the indirect wholly-owned subsidiary of the Company and its financial results and financial positions will be consolidated in the consolidated financial statements of the Group, in view of (i) the historical operational and financial performance of the Target Group as disclosed above; and (ii) the integration of both residential and commercial management service capabilities could increase the overall value of the Group as a whole in the long run, the Directors expect that the Transaction will improve the Group's future financial performance.

9.2 Total assets

As the Target Group will become a non-wholly owned subsidiary of the Company, the financial results of the Target Group will be consolidated into the Company' financial statements. The total assets of the Group is expected to increase.

Based on the aforementioned possible financial impacts of the Transaction on the Group, in particular, the positive impact on the Group's future financial performance, we are of the view that the Transaction is in the interests of the Company and the Shareholders as a whole.

10. Internal Control Measures

As stated in the Letter from the Board, the Group will undertake the following internal control measures to monitor the Consultancy Services Agreement, the details of which are set out in paragraph headed "Internal Control Measures" in the Letter from the Board.

(a) The finance department is responsible for preparing relevant information. Before a transaction is entered into, at least two similar historical transactions entered into between the Group and independent third party customer must be obtained for price comparison and for approval by risk management and compliance department to ensure that connected transactions are on normal commercial terms and that the relevant prices and terms are not more favourable to Zhenro Properties than those provided to independent third parties by the Group.

(b) The finance department is responsible for conducting inspections, review and evaluation on a monthly basis on whether the amount of connected transactions is maintained within the annual caps of connected transactions.

(c) The finance department must submit a summary of the connected transactions of the Group to the risk control and compliance department for review. The risk control and compliance department will assess whether a transaction constitutes the transaction subject to any disclosure or approval requirements under the Listing Rules. Transaction reports of connected transactions must be submitted to management for review every six months and at the end of the year.

(d) The senior management of the Company shall be responsible for supervising and monitoring the adoption of internal control procedures of the Group to ensure that the implementation of the pricing policy is in compliance with the framework agreements and the actual transaction amount is controlled within their respective annual caps.

(e) The finance department has a designated employee to monitor related transactions conducted under the Consultancy Services Agreement. When the transaction limit reaches 80% of the annual cap set under the respective agreement, he/she will promptly inform the general manager of the finance department and the general manager of the finance department will determine whether the Company should arrange for a revision of the annual cap as appropriate, in compliance with all relevant requirements under Chapter 14A of the Listing Rules. No further transaction will be conducted in excess of the annual cap, and transactions will only resume after the Company has complied with all relevant Listing Rules requirements under Chapter 14A in relation to the revised annual cap.

We have obtained and reviewed the internal control procedures of the Group governing the transactions which involve, among others, the review of terms of relevant transactions, a feedback mechanism by the approval parties and segregation of duties. Having considered that (i) the Company has adopted the internal control procedures which provides that all connected transactions (including the transactions contemplated under the Consultancy Services Agreement) shall comply with the relevant Listing Rules' requirements; (ii) a monitoring system will be in place in ensuring that the annual caps are not exceeded from time to time; and (iii) the transactions contemplated under the Consultancy Services Agreement will be annually reviewed by the independent non-executive Directors and the external auditors of the Company, we concur with the Directors that the internal control measures are adequate and effective in ensuring the transactions contemplated under the Consultancy Services Agreement will be entered into on normal commercial terms and there is an effective system in place to monitor the annual caps.

RECOMMENDATION

Having considered the principal factors and reasons as set out in this letter, we are of the opinion that (i) the terms of the Sale and Purchase Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the transactions contemplated under the Consultancy Services Agreement (including the annual caps contemplated thereunder) are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the respective ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the Consultancy Services Agreement (including the annual caps contemplated thereunder).

Yours faithfully,
For and on behalf of
Giraffe Capital Limited
Johnson Chen
Managing Director

Mr. Johnson Chen is a licensed person registered with the Securities and Futures Commission and a responsible officer of Giraffe Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and to undertake work as a sponsor. He has over 13 years of experience in the field of corporate finance advisory.

仲量聯行

9 June 2021

The Board of Directors
Zhenro Property Services Co., Ltd
Building 1, Zhenro Center,
Hongqiao Business District,
Minhang District, Shanghai, PRC

Dear Sirs,

In accordance with the instructions received from Zhenro Property Services Co., Ltd (the "Company"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 100 percent equity interest in Zhenro Commercial Management Co., Ltd (the "Target Company") and its subsidiaries (the "Target Group") as at 31 March 2021 (the "Valuation Date"). The report which follows is dated 9 June 2021 (the "Report Date").

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as "*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

INTRODUCTION

The Target Group is principally engaged in provision of commercial operation and management services for commercial properties. The Target Group's consolidated revenue was RMB107,550,000 and RMB144,955,000 for the year ended 31 December 2019 and 2020 respectively, recording a revenue of growth at 34.78%. The consolidated net profits after taxation of the Target Group was RMB33,036,000 in the year of 2020, increased by 118.22% over the year of 2019. The increase of revenue was mainly due to the revenue growth from brand and management output service, which is RMB34,415,000 as at 31 December 2019 and RMB74,158,000 as at 31 December 2020.

The summary of the audited financial information of the Target Group for the two years ended 31 December 2019 and 2020 are set out below:

	For the year ended 31 December 2019 *RMB*	**For the year ended 31 December 2020** *RMB*
Revenue	107,550,000	144,955,000
Net profits before taxation	20,587,000	43,895,000
Net profits after taxation	15,139,000	33,036,000
Total assets	111,488,000	168,604,000
Net assets	40,227,000	73,263,000

APPROACH AND METHODOLOGY

In arriving the market value of 100 percent equity interest in the Target, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition of the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Approach and Methodology

To select the most appropriate approach, we have considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to us to form perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target. In our opinion, the cost approach is inappropriate for valuing the Target Group, as it does not directly incorporate information about the economic benefits contributed by the Target Group. The income approach is inappropriate as this approach require detailed operational information and long-term financial projection with objective supporting documents but such information is not available to us. We have therefore relied solely on the market approach in determining our opinion of value.

There are two common methods under market approach, namely, guideline public companies method and guideline transaction method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transaction method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to Target's financial metrics.

In this exercise, the market value of equity interest in the Target Group was developed through the guideline public company method. The guideline transaction method is not adopted due to lack of sufficient recent market transactions with similar nature as the Target Group. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. In this Valuation, we have considered the following commonly used benchmark multiples:

- Price to book ratio ("P/B") is not adopted as P/B multiple is common for asset intensive industries which is not the case for the Target Group.

- Price to sales ratio ("P/S") is not adopted as P/S is commonly used in the valuation of early-stage companies but the Target Group has a long operating history and a stable profit track record.

- P/E multiple is a commonly used multiple for measuring the value of a profit-making company. Hence, we have employed P/E multiple in the valuation for the Target Group as of the Valuation Date.

BASIS OF OPINION

We have conducted our valuation in accordance with international valuation standards issued by International Valuation Standards Council ("IVSC"). The valuation procedures employed include a review of legal status and economic condition of the Target Group and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;

- The nature of business and history of the operation concerned;

- The financial condition of the Target;

- Market-driven investment returns of companies engaged in similar lines of business;

- Financial and business risk of the business including continuity of income and the projected future results;

- Consideration and analysis on the micro and macro economy affecting the subject asset;

- Analysis on tactical planning, management standard and synergy of the subject asset; and

- Assessment of the leverage and liquidity of the subject asset.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the financial assets.

ASSUMPTIONS

In this exercise, we have applied the following assumptions as at the Valuation Date in deriving the market value of the 100 percent equity interest in the Target.

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;

- The operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge; and

- We have assumed that there are no hidden or unexpected conditions associated with the Target Group that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

MARKET MULTIPLE

Under guideline public company method, in determining the financial multiple, a list of comparable companies was identified. The selection criteria include the followings:

1. The comparable companies mainly operate in mainland China and listed on The Stock Exchange of Hong Kong Limited;

2. The comparable companies derive their sales mainly from the same industry of the Target Group, i.e., provision of management services to commercial real estate; and

3. Sufficient data, including the P/E ratio, on the comparable companies are available in Bloomberg.

The comparable companies satisfying the criteria are listed exhaustively as below:

Bloomberg Ticker	**Company Name**	**P/E Ratio**
1502 HK Equity	Financial Street Property Co., Limited	14.50
6668 HK Equity	E-Star Commercial Management Company Limited	25.64
6989 HK Equity	Excellence Commercial Property & Facilities Management Group Limited	29.26
9909 HK Equity	Powerlong Commercial Management Holdings Limited	45.82
9916 HK Equity	Xingye Wulian Service Group Co. Ltd.	8.91

(Data source: Bloomberg)

ADDITIONAL CONSIDERATION

Discount for Lack of Marketability (DLOM)

The concept of marketability deals with the liquidity of an ownership interest that is how quickly and easily it can be converted to cash the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In this Valuation, we have adopted a DLOM of 15.8% with reference to the 2020 edition of the Stout Restricted Stock Study.

Control Premiums and Discount for Lack of Control (DLOC)

Control Premiums and Discounts for Lack of Control (DLOC) are applied to reflect differences between the comparables and the subject asset with regard to the ability to make decisions. The Lack of Control Discount is the reduction applied to the valuation of a minority equity position in a company due to the absence of control. Minority shareholders usually do not have the ability to dictate the future strategic direction of the company, the election of directors, the nature, quantum and timing of their return on investment, or even the sale of their own shares. This absence of control reduces the value of the minority equity position against the total enterprise value of the company. As the Purchaser intended to acquire 100 percent equity interest in the Target, which reflects a controlling interest, a control premium is adopted to calculate the market value of the Target. In this Valuation, we have adopted a control premium of 27.4% with reference to the Control Premium Study (4th Quarter 2020) by Factset Mergerstat.

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. We have also taken into account the DLOM and DLOC.

The calculation of the market value of 100 per cent equity interest of the Target Group as at the Valuation Date is as follows:

Amounts in RMB'000 unless otherwise stated

Parameter	**Input**
Median P/E ratio of the Comparable Companies (times)	25.64
Net profits after taxation	33,036
Equity Value of the Target Group as at the Valuation Date	846,965
DLOM (%)	15.8%
DLOC (%)	27.4%
Equity Value of the Target Group after DLOM and DLOC	908,547
	(rounded)
	909,000

VALUATION COMMENTS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited. We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued. This report is issued subject to our Limiting Conditions as attached.

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 100 percent equity interest in the Target Group as at the Valuation Date is reasonably stated as the amount of RMB909,000,000.

LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

Note: Simon M.K. Chan is a Chartered Valuer and Appraiser, and a fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA), CPA Australia as well as the Royal Institution of Chartered Surveyors (RICS). Simon has extensive experience in valuation and corporate advisory business, providing a wide range of valuation and advisory services to numerous listed and private companies in different industries, including education-related companies, in Asia Pacific region for over 20 years.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and Jones Lang LaSalle Corporate Appraisal and Advisory Limited in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

- The reported analyses, opinions, and conclusions are independent and objective.

- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the quantum of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.

- The under mentioned persons provided professional assistance in the compilation of this report.

Simon M.K. Chan	**Hunter Z.W. He**	**Julia L. Zhang**
Executive Director	*Senior Director*	*Senior Analyst*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

2.1 Directors' and chief executive's interests and short positions in the shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions the in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

2.2 Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, persons or entities (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held(1)	Approximate percentage in the Company's issued share capital(1)
Mr. Ou(2)	Interest in controlled corporation	656,348,500 (L)	63.26%
Ms. Lin Shuying(3)	Interest of spouse	656,348,500 (L)	63.26%

Name of Shareholder	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage in the Company's issued share capital[1]
Mr. Ou Guoqiang[4]	Interest in controlled corporation	57,712,500 (L)	5.56%
Ms. Li Xi[5]	Interest of spouse	57,712,500 (L)	5.56%
WeiZheng	Beneficial owner	513,848,500 (L)	49.53%
WeiYao	Beneficial owner	71,250,000 (L)	6.87%
WeiTian	Beneficial owner	71,250,000 (L)	6.87%
WeiQiang Holdings Limited	Beneficial owner	57,712,500 (L)	5.56%

Notes:

(1) The letter "L" denotes the person's long position in such Shares. The calculation is based on the total number of 1,037,500,000 Shares in issue as at the Latest Practicable Date.

(2) Each of WeiZheng, WeiYao and WeiTian is wholly-owned by Mr. Ou. By virtue of Part XV of the SFO, Mr. Ou is deemed to be interested in the Shares in which WeiZheng, WeiYao and WeiTian are interested in.

(3) Ms. Lin Shuying is the spouse of Mr. Ou. By virtue of Part XV of the SFO, Ms. Lin Shuying is deemed to be interested in the Shares in which Mr. Ou is interested in.

(4) WeiQiang is wholly-owned by Mr. Ou Guoqiang. By virtue of Part XV of the SFO, Mr. Ou Guoqiang is deemed to be interested in the Shares in which WeiQiang is interested in.

(5) Ms. Li Xi is the spouse of Mr. Ou Guoqiang. By virtue of Part XV of the SFO, Ms. Li Xi is deemed to be interested in the Shares in which Mr. Ou Guoqiang is interested in.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the Company has not been notified by any persons or entities (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, none of the Directors and their respective close associates were considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP AND OTHER INTERESTS

None of the Directors was materially interested in any contract or arrangement which was entered into by any member of the Group and subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, the Group was not engaged in any material litigation or arbitration proceedings nor was any material litigation or claim pending or threatened against it.

7. QUALIFICATION AND CONSENT OF EXPERTS

The following sets out the qualification of the experts who has given opinion or advice which is contained or referred to in this circular:

Name	**Qualification**
Giraffe Capital Limited	a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	an independent professional valuer

As at the Latest Practicable Date, each of the above experts:

(a) had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group;

(b) had any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(c) had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Company since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturday, Sunday and public holiday excluded) at the principal place of business of the Company in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

(1) the Sale and Purchase Agreement;

(2) the Consultancy Services Agreement;

(3) the letter from the Board, the text of which is set out on pages 6 to 25 of this circular;

(4) the letter from the Independent Board Committee dated 9 June 2021, the text of which is set out on pages 26 to 27 of this circular;

(5) the letter from the Independent Financial Adviser dated 9 June 2021, the text of which is set out on pages 28 to 68 of this circular;

(6) the valuation report prepared by the Independent Valuer in respect of the Target Company;

(7) the written consent of the Independent Financial Adviser referred to in the paragraph headed "7. Qualification and Consent of Experts" in this appendix;

(8) the written consent of the Independent Valuer referred to in the paragraph headed "7. Qualification and Consent of Experts" in this appendix;

(9) this circular.

10. MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

Zhenro Services Group Limited
正榮服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6958)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Zhenro Services Group Limited (the "**Company**") will be held at 2/F., Building 7, Hongqiao Zhenro Center, 666 Shenhong Road, Minhang District, Shanghai, PRC on Monday, 28 June 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the sale and purchase agreement dated 19 May 2021 (the "**Sale and Purchase Agreement**") entered into by and among Fuzhou Huihua Enterprise Management Consultancy Co., Ltd.* (福州匯華企業管理諮詢有限公司) and Fujian Zhenro Property Service Co., Ltd.* (福建正榮物業服務有限公司) (each a wholly-owned subsidiary of the Company) as purchasers, Zhenro Properties Holdings Company Limited* (正榮地產控股股份有限公司) as vendor, and Zhenro Commercial Management Co., Ltd.* (正榮商業管理有限公司) (the "**Target Company**") and the transactions contemplated thereunder be and are hereby confirmed and approved; and

(b) the directors of the Company (the "**Directors**") be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder."

2. "**THAT**

(a) the commercial property management and consultancy services framework agreement dated 19 May 2021 entered into between the Target Company and Zhenro Properties Group Limited (the "**Consultancy Services Agreement**") and the transactions contemplated thereunder be and are hereby confirmed and approved;

(b) the proposed annual caps in relation to the transactions contemplated under the Consultancy Services Agreement for each of the two years ending 31 December 2022 be and are hereby approved; and

(c) the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Consultancy Services Agreement and the transactions contemplated thereunder."

By order of the Board
Zhenro Services Group Limited
Huang Xianzhi
Chairman

Hong Kong, 9 June 2021

Notes:

(i) All resolutions set out in this notice will be put to vote by way of poll at the EGM pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Accordingly, each of the resolutions to be proposed at the EGM will be put to vote by way of poll, pursuant to Article 72 of the Articles of Association. Article 79 of the Articles of Association provides that on a poll, every shareholder present in person or by proxy shall have one vote for each share registered in his name in the register. An explanation of the detailed procedures of voting by poll will be provided to the shareholders at the EGM. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and of the Company (www.zhenrowy.com).

(ii) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company.

(iii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

(iv) In order to be valid, a form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or not less than 48 hours before the time appointed for the holding of any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(v) For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 23 June 2021 to Monday, 28 June 2021, (both days inclusive), during which period no share transfers can be registered. In order to determine the identity of the members of the Company who are entitled to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificate(s) and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 22 June 2021.

As at the date of this notice, Mr. Lin Xiaotong and Mr. Kang Hong are the executive directors of the Company; Mr. Huang Xianzhi and Mr. Chan Wai Kin are the non-executive directors of the Company; and Mr. Ma Haiyue, Mr. Au Yeung Po Fung and Mr. Zhang Wei are the independent non-executive directors of the Company.

* *for identification purpose only*