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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

INTERIM RESULTS AND OPERATIONAL HIGHLIGHTS

1. During the Reporting Period, the revenue of the Group was approximately RMB684.2million, representing an increase of approximately 54.2% as compared with the revenue of approximately RMB443.7 million in the same period of 2020.

2. The revenue of the Group is mainly derived from three major businesses: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services. During the Reporting Period, (i) property management services remained the largest source of revenue for the Group, reached approximately RMB326.6 million, accounting for approximately 47.7% of the overall revenue, representing a year-on-year increase of approximately 44.9% as compared with approximately RMB225.4 million in the same period of 2020; (ii) revenue from value-added services to non-property owners reached approximately RMB242.5 million, accounting for approximately 35.4% of the overall revenue, representing a year-on-year increase of approximately 53.6% compared to approximately RMB157.8 million in the same period of 2020; and (iii) revenue from community value-added services reached approximately RMB115.2 million, accounting for 16.9% of the overall revenue, representing a year-on-year increase of approximately 90.7% compared to approximately RMB60.4 million in the same period of 2020.

3. During the Reporting Period, the gross profit of the Group was approximately RMB237.8 million for the six months ended 30 June 2021, representing an increase of approximately 53.1% from approximately RMB155.3 million in the same period of 2020.

4. The profit for the period of the Group was approximately RMB102.7 million, representing an increase of approximately 69.4% from approximately RMB60.7 million in the same period of 2020. The profit attributable to owners of the parent for the period was approximately RMB101.1 million, representing an increase of approximately 69.6% from approximately RMB59.6 million in the same period of 2020; the net profit margin was approximately 15.0%, representing an increase of approximately 1.3 percentage points as compared with the same period in 2020.

5. As at 30 June 2021, the GFA under management of the Group's property management services was approximately 56.2 million square meters, representing an increase of approximately 36.3% from approximately 41.3 million square meters as at 31 December 2020.

6. The Board resolved not to declare any interim dividend for the six months ended 30 June 2021.

The board (the "**Board**") of directors (the "**Directors**") of Zhenro Services Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results (the "**Interim Results**") of the Company and its subsidiaries (together, the "**Group**" or "**We**") for the six months ended 30 June 2021 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2020 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**684,212**	443,668
Cost of sales		**(446,409)**	(288,372)
GROSS PROFIT		**237,803**	155,296
Other income and gains	*5*	**4,593**	3,499
Administrative expenses		**(89,027)**	(63,867)
Impairment losses on financial assets, net		**(11,405)**	(6,176)
Finance costs		**(1,043)**	(937)
Share of loss of an associate		**–**	(89)
PROFIT BEFORE TAX	*6*	**140,921**	87,726
Income tax expenses	*7*	**(38,186)**	(27,069)
PROFIT FOR THE PERIOD		**102,735**	60,657
Attributable to:			
Owners of the parent		**101,075**	59,583
Non-controlling interests		**1,660**	1,074
		102,735	60,657
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	*9*	**RMB0.10**	RMB0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**102,735**	60,657
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(6,320)**	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(6,320)**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(6,320)**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**96,415**	60,657
Attributable to:		
Owners of the parent	**94,755**	59,583
Non-controlling interests	**1,660**	1,074
	96,415	60,657

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	**30 June 2021 RMB'000 (Unaudited)**	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	*10*	**6,558**	7,020
Investment properties		**194,190**	21,600
Right-of-use assets		**10,272**	6,856
Goodwill		**766,626**	59,537
Other intangible assets		**55,511**	30,797
Finance lease receivables		**77,608**	–
Deferred tax assets		**26,156**	19,515
Total non-current assets		**1,136,921**	145,325
CURRENT ASSETS			
Finance lease receivables		**55,555**	–
Trade receivables	*11*	**375,083**	272,117
Due from related companies		**176,340**	74,757
Prepayments, deposits and other receivables		**36,392**	31,967
Cash and cash equivalents		**1,078,652**	1,451,514
Pledged deposits		**3,000**	–
Total current assets		**1,725,022**	1,830,355
CURRENT LIABILITIES			
Trade payables	*12*	**200,896**	166,659
Other payables and accruals		**459,268**	317,111
Due to related companies		**361,991**	4,885
Interest-bearing bank borrowings		**43,022**	14,000
Lease liabilities		**35,529**	3,991
Tax payables		**48,415**	55,637
Dividends payable		**72,625**	–
Total current liabilities		**1,221,746**	562,283
NET CURRENT ASSETS		**503,276**	1,268,072
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,640,197**	1,413,397

	Note	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**40,825**	13,375
Lease liabilities		**145,026**	6,731
Deferred tax liabilities		**48,118**	9,655
Total non-current liabilities		**233,969**	29,761
NET ASSETS		**1,406,228**	1,383,636
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	*13*	**7,867**	7,867
Reserves		**1,377,829**	1,355,699
		1,385,696	1,363,566
Non-controlling interests		**20,532**	20,070
TOTAL EQUITY		**1,406,228**	1,383,636

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 17 December 2018. The registered office address of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company's subsidiaries are principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services for residential and non-residential properties in People's Republic of China ("**PRC**")/Mainland China.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 July 2020 (the "**Listing Date**").

In the opinion of the directors of the Company, the ultimate controlling shareholder of the Group is Mr. Ou Zongrong.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform-Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness.

The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments did not have any impact on the Group's interim condensed consolidated financial information.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The amendments did not have any impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the property management business. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

During the period, the Group operated within one geographical location because all of its revenue was generated in Mainland China and all of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no further geographical information is presented.

Information about major customers

For the six months ended 30 June 2021, revenue from sales to Zhenro Properties Group Limited and its subsidiaries ("**Zhenro Properties Group**") contributed 19.4% (30 June 2020: 34.7%) of the Group's revenue. Other than the revenue from Zhenro Properties Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue during the period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Property management services	**326,578**	225,446
Value-added services to non-property owners	**242,473**	157,839
Community value-added services	**115,161**	60,383
	684,212	443,668

Revenue from contracts with customers

(i) Disaggregated revenue information

Segments	Property management services *RMB'000* (Unaudited)	Value-added services to non-property owners *RMB'000* (Unaudited)	Community value-added services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
For the six months ended 30 June 2021				
Type of goods or services				
Rendering of services	**326,578**	**164,307**	**103,116**	**594,001**
Sales of goods	**–**	**78,166**	**12,045**	**90,211**
Total revenue from contracts with customers	**326,578**	**242,473**	**115,161**	**684,212**
Geographical market				
Mainland China	**326,578**	**242,473**	**115,161**	**684,212**
Timing of revenue recognition				
Revenue recognised over time	**326,578**	**159,635**	**67,929**	**554,142**
Revenue recognised at a point in time	**–**	**82,838**	**47,232**	**130,070**
Total revenue from contracts with customers	**326,578**	**242,473**	**115,161**	**684,212**
For the six months ended 30 June 2020				
Type of goods or services				
Rendering of services	225,446	157,839	60,383	443,668
Total revenue from contracts with customers	225,446	157,839	60,383	443,668
Geographical market				
Mainland China	225,446	157,839	60,383	443,668
Timing of revenue recognition				
Revenue recognised over time	225,446	130,972	31,429	387,847
Revenue recognised at a point in time	–	26,867	28,954	55,821
Total revenue from contracts with customers	225,446	157,839	60,383	443,668

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income	**758**	331
Government grants	**2,211**	868
Rental income	**1,154**	1,372
Others	**470**	914
	4,593	3,485
Gains		
Gain on disposal of items of property and equipment	**–**	14
	4,593	3,499

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

		For the six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Depreciation of property and equipment	*10*	**2,143**	1,231
Depreciation of right-of-use assets		**1,274**	1,394
Amortisation of other intangible assets		**2,246**	1,994
Lease payments not included in the measurement of lease liabilities		**1,874**	1,641
Auditor's remuneration		**1,950**	1,490
Impairment of financial assets, net			
Impairment of trade receivables, net		**10,760**	5,457
Impairment of other receivables, net		**645**	719
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other allowances		**221,380**	184,574
Pension scheme contributions and social welfare		**29,705**	14,158
		251,085	198,732

7. INCOME TAX

The Group is entitled to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company incorporated in the Cayman Islands and the subsidiaries incorporated in the British Virgin Islands are not subject to corporate income tax as they do not have a place of business (other than a registered office) or carry on any business in the Cayman Islands and British Virgin Islands.

Provision for PRC corporate income tax ("**CIT**") has been made at the applicable income tax rate of 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

Certain subsidiaries have been approved as Small Low-profit Enterprises ("**SLE**"). The entitled subsidiaries are subject to a preferential income tax rate of 5% or 10% in certain years.

Income tax in the interim condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China:		
Charge for the period	**43,751**	27,480
Deferred tax	**(5,565)**	(411)
Total tax charge for the period	**38,186**	27,069

8. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final declared		
– HK$0.08 (2020: Nil) per ordinary share	**72,625**	–

The proposed 2020 final dividend of RMB0.07 (equivalent to approximately HK$0.08 based on the exchange rate of HK$1 to RMB0.84163 on 31 December 2020) per share, totalling RMB72.6 million (equivalent to approximately HK$86.3 million based on the exchange rate of HK$1 to RMB0.84163 on 31 December 2020), was approved by the Company's shareholders at the annual general meeting on 18 June 2021 (six months ended 30 June 2020: nil).

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,037,500,000 (six months ended 30 June 2020: 750,000,000) in issue during the period.

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

The calculation of the basic earnings per share amount is based on:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**101,075**	59,583
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	**1,037,500,000**	750,000,000

10. PROPERTY AND EQUIPMENT

	RMB'000
At 1 January 2021 (audited)	**7,020**
Additions	**948**
Acquisition of a subsidiary *(note 14)*	**739**
Depreciation	**(2,143)**
Disposals	**(6)**
At 30 June 2021 (unaudited)	**6,558**

11. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the date of the demand note, net of loss allowance, is as follows:

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Within 1 year	**347,286**	259,523
1 to 2 years	**25,454**	11,026
2 to 3 years	**2,343**	1,568
	375,083	272,117

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Within 1 year	**198,288**	164,532
Over 1 year	**2,608**	2,127
	200,896	166,659

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

The fair values of trade and bills payables approximate to their carrying amounts due to their relatively short term maturity.

13. SHARE CAPITAL

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Number of ordinary shares:		
Authorised:		
Ordinary shares of US$0.002 each	**20,000,000,000**	20,000,000,000
Issued:		
Ordinary shares of US$0.002 each	**1,037,500,000**	1,037,500,000

	30 June 2021 ***RMB'000*** **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Amounts:		
Issued and fully paid:		
Ordinary shares of US$0.002 each	**7,867**	7,867

14. BUSINESS COMBINATION

On 29 June 2021, the Group acquired an aggregate of 99% interest in Zhenro Commercial Management Co., Ltd. and its subsidiaries ("**Zhenro Commercial Management**") from Zhenro Properties Group at a cash consideration of RMB891 million. Zhenro Commercial Management principally engages in the provision of commercial operation and management services for commercial properties in Mainland China. Cash consideration of RMB534.6 million was paid on 30 June 2021 and the remaining RMB356.4 million will be paid during the year ending 31 December 2022.

Pursuant to the sale and purchase agreement, if the net profit of Zhenro Commercial Management for 2021 (the "**Guaranteed Profit**") is less than RMB60 million, the second instalment will be adjusted in RMB as 356,400,000 – (60,000,000 – a*) × 99% × b**

* being an amount less than RMB60 million, representing the net profit of Zhenro Commercial Management for the year ending 31 December 2021

** representing the total consideration of RMB891 million for the transaction divided by the corresponding 99% equity interest and then divided by RMB60 million.

The fair values of the identifiable assets and liabilities of Zhenro Commercial Management as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition *RMB'000*
Property and equipment	*10*	739
Investment properties		172,590
Right-of-use assets		4,690
Other intangible assets		25,782
Finance lease receivables		133,163
Deferred tax assets		1,437
Trade receivables		3,076
Due from related companies		57,209
Prepayments, deposits and other receivables		5,962
Cash and cash equivalents		43,045
Pledged deposits		3,000
Trade payables		(5,340)
Other payables and accruals		(38,771)
Interest-bearing bank borrowings		(8,500)
Lease liabilities		(171,411)
Tax payables		(2,078)
Deferred tax liabilities		(38,824)
Total identifiable net assets at fair value		185,769
Non-controlling interests		(1,858)
Goodwill on acquisition		707,089
Satisfied by cash		891,000

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	RMB'000
Total cash consideration	(891,000)
Consideration to be paid during the year ending 31 December 2022 included in due to related companies	356,400
Total cash and bank balances acquired	43,045
Net outflow of cash and cash equivalents in respect of the acquisition included in cash flows from investing activities	(491,555)

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the Reporting Period is presented below:

	RMB'000
Gross carrying amount	
At 1 January 2021 (audited)	59,537
Acquisition of a subsidiary	707,089
At 30 June 2021 (unaudited)	766,626
Accumulated impairment losses	
At 1 January 2021 (audited)	–
Acquisition of a subsidiary	–
At 30 June 2021 (unaudited)	–
Net book value	
At 1 January 2021 (audited)	59,537
At 30 June 2021 (unaudited)	766,626

The Group incurred transaction costs of RMB1,263,500 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Zhenro Commercial Management with those of the Group. The goodwill is not deductible for income tax purposes.

The contingent consideration is recognised at fair value at the acquisition date, which was recorded as "financial assets at fair value through profit or loss", and measured at fair value with changes in fair value recognise in profit or loss. Based on the assessment performed by the management of Group, the fair value of the contingent consideration at 30 June 2021 was nil.

As the acquisition took place at the period end, Zhenro Commercial Management contributed nil to the Group's revenue and no profit to the consolidated profit for the period ended 30 June 2021. Had the combination taken place at 1 January 2021, the consolidated revenue and profit of the Group would have been RMB728,097,000 and RMB196,413,000, respectively.

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
	RMB'000	RMB'000	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial liabilities				
Interest-bearing bank borrowings				
– non-current	**40,825**	13,375	**40,502**	12,949
	40,825	13,375	**40,502**	12,949

Management has assessed that the fair values of cash and cash equivalents, amounts due from/to related companies, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the board of directors of the Company. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings was assessed to be insignificant as at the end of reporting period.

16. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 20 August 2021.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present to you the Interim Results of the Group for the six months ended 30 June 2021.

RESULTS REVIEW

During the Reporting Period, the revenue of the Group increased by 54.2% to RMB684.2 million as compared with RMB443.7 million for the corresponding period last year; the profit for the period was RMB102.7 million, representing an increase of 69.4% as compared with RMB60.7 million for the corresponding period last year; the profit attributable to owners of the parent for the period was RMB101.1 million, representing an increase of 69.6% as compared with RMB59.6 million for the corresponding period last year.

The Board resolved not to declare any interim dividend for the six months ended 30 June 2021.

BUSINESS REVIEW

In the first half of 2021, the Group focused on high-quality growth and resource optimisation and integration, continued deep engagement in cities, actively explored business innovations, continuously strengthened management and control system, improved organisational efficiency and promoted operational improvement. On 19 May 2021, the Group entered into an agreement to acquire 99% equity interest in Zhenro Commercial Management. The acquisition was approved by the independent shareholders of the Company at the extraordinary general meeting held on 28 June 2021. This transaction will further enrich the the non-residential business segment of the Group and improve its business competitiveness. As shown in the data issued by China Index Academy, the Group was ranked 18th among the 2021 Top 100 Property Management Companies in China (2021中國物業服務百強企業第18名) with continuous improvement of its overall strength.

Continuous high-quality scale expansion and optimisation of resource integration

In the first half of 2021, the Group continued deep engagement in cities and expanded its business scale. It continued to expand its business in key first- and second-tier cities such as Shanghai, Nanjing, Suzhou, Fuzhou, etc., in order to stabilise and improve its market position. The Group had 297 property service projects under management and 23 commercial operation projects under management.

During the Reporting Period, the contracted gross floor area ("**GFA**") of the Group reached 95.2 million sq.m., representing a net increase of 7.8 million sq.m. as compared to 31 December 2020, and the total GFA under management reached approximately 56.2 million sq.m., representing a net increase of approximately 15.0 million sq.m. as compared to 31 December 2020. In particular, the GFA under management of commercial operation services was 1.49 million sq.m..

As of 30 June 2021, the commercial operation projects of the Group were located in key first- and second-tier cities such as Shanghai, Nanjing, Fuzhou, Changsha, etc..

The introduction of commercial operation sector will continuously enrich the operation sectors and service contents of the Group, improve its differentiated market competitiveness and provide driving impetus for its sustainable development.

Persistence in regarding property management services as the cornerstone and continuous business innovations

The Group adheres to the service concept of "providing heartfelt and personalized services for your well-being" ("服務由心，幸福為你") and focuses on the needs of property owners to upgrade its quality control standards, and makes continuous business innovations with an aim to bring beautiful living experience to our customers and property owners on an ongoing basis.

In the first half of 2021, the Group successively implemented the three-tier service system of "Zun Xiang (尊享), Rong Xiang 榮享) and Yue Xiang (悅享)" by developing six major service scenarios and 111 service points as empowered by technology, in order to deliver customised service experience to property owners. Meanwhile, the service quality of our commercial and enterprise properties has also been further improved through continuing upgraded FINE Services System of Rong Qi.

In the first half of 2021, the Group coordinated with the local governments and social organisations to promote the urban public services, public space management, public resource operation and other projects, and had successively established long-term cooperation with the government of Gaoxin District of Fuzhou and the government of Xuanwu District of Nanjing to further expand its urban service sectors.

Meanwhile, the advancement of operation intelligentisation continuously enriched value-added services of the Group. During the Reporting Period, there were significant increases in revenues from value-added services to non-property owners and community value-added services. The value-added services to non-property owners achieved a revenue of RMB242.5 million, a year-on-year increase of 53.6%, and community value-added services achieved a revenue of RMB115.2 million, a year-on-year increase of 90.7%.

Acceleration in expanding commercial projects and improvement in operational efficiency thereof

In the first half of 2021, Zhenro Commercial Management continued its deep penetration strategy in Western Strait Economic Zone, Yangtze River Delta Region, Central China Region and Bohai Rim Region, and accelerated the expansion of light-asset projects. Meanwhile, the establishment works of Nanjing Zhenro Center, Taixing Phoenix Plaza, and Changzhou Xinghu Plaza also advance steadily, and such projects are expected to commence operation in the coming year.

Meanwhile, with the accelerated iteration of operation service industry and the change of consumption in the "post-epidemic era", Zhenro Commercial Management had established a membership management system in the first half of 2021 on the basis of continuous improvement in commercial service quality, thereby forming a close-loop consumption from diversion, transformation to the retaining of online traffic flows, and improving customer experience and operational efficiency with digital operations.

OUTLOOK

2021 is the first year of the national "14th Five-Year" Plan, and the domestic economic environment enters into a new period of constant changes. With the changed development pattern of the property management industry and the rising expectations of the society on the industry, the property industry embraces a broader development space and there will be increased industry competition. With broad market opportunities, the Group will insist on deep engagement in the four key regions and actively expand new business paths. Meanwhile, the Group will continue to improve its service quality as guided by property owners' needs, so as to achieve a continuous improvement in its position in the industry and its brand value.

Meanwhile, the Group will continue to maintain a close cooperation relationship with Zhenro Properties Group, and strengthen the collaboration with local governments as well as the cooperation with third-party developers. Through multi-channel market expansion, strategic cooperation, mergers and acquisitions of property management companies and upstream and downstream professional companies, the Group will endeavour to increase its share of property management market in the deployed areas, and continue to expand new paths.

Balanced development in terms of operating revenue, quality and profit has been the principle followed by the Group. Under the industry trend of "technology-enabled operation", the Group will continue to promote the construction of "smart community", and develop more diversified value-added services on the basis of continuous improvement in service quality and property owners' satisfaction. Meanwhile, the Group will enhance the business synergy between commercial management and property management segments, further broaden business boundaries and create new profit and revenue growth points while optimising the Group's ability to operate in diversified business sectors.

With the changing competitive landscape in the industry and the Group's business upgrading and expansion, the upgrading of talent team has become one of the core works for achieving the strategic goals of the Group. The Group has formulated the talent upgrading strategies of "high standards, high recognition, grand vision and high value", and focused on core team building and talent team building, to further optimise talent structure, improve per capita efficiency, and fully assist in the achievement of new three-year strategic goals.

APPRECIATION

Finally, on behalf of the Board, I would like to express our sincere appreciation to all shareholders, investors, business partners and customers for their support, and all employees for their dedication and hard work. We will continue to uphold our service concept of "providing heartfelt and personalised services for your well-being" ("服務由心，幸福為你") and create a beautiful life for our customers, create value for our shareholders and investors continuously, and continue our efforts on contributing to social prosperity.

Zhenro Services Group Limited
Chairman of the Board
Huang Xianzhi

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Model of the Group

The Group has three business lines, namely, (i) property management services, (ii) value-added services to non-property owners, (iii) community value-added services.

- Property management services. The Group provides a wide range of property management services to property developers, property owners and residents. The Group's property management services primarily include (i) cleaning services, (ii) security services, (iii) landscaping services, and (iv) repair and maintenance services for both residential and non-residential properties.

- Value-added services to non-property owners. The Group offers a comprehensive range of property-related business solutions to non-property owners, which primarily include property developers. The Group's value-added services to non-property owners primarily consist of (i) sales assistance services (involving assistance to property developers in showcasing and marketing their properties, cleaning and maintenance, security and visitor management), (ii) additional tailored services customised to meet specific needs of customers on an as-needed basis and sales of goods, (iii) housing repair services, (iv) preliminary planning and design consultancy services, and (v) pre-delivery inspection services.

- Community value-added services. The Group provides community value-added services to property owners and residents, which primarily include (i) home-living services, (ii) car park management, leasing assistance and other services and (iii) common area value-added services to improve the living experience of customers and to maintain and enhance the value of their properties.

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. The Group's 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. The comprehensive range of the Group's community value-added services business line helps to enhance its relationship with customers and improve their satisfaction and loyalty. The Group believes that its three business lines will continue to enable it to gain greater market shares and expand business presence in China.

Following the Group's acquisition of Zhenro Commercial Management, the Group has expanded into the commercial operational business which will further enrich the non-residential business segment of the Group and improve its business competitiveness.

Property Management Services

Continuous Quality Growth in Both Area and Scale

The Group adhered to rapid expansions on management coverage area as one of its strategic targets, and has achieved speedy growth in contracted GFA and GFA under management through its multi-property type business. As at 30 June 2021, the Group's contracted GFA amounted to approximately 95.2 million sq.m., representing an increase of 8.9% as compared with that as of 31 December 2020, and the number of contracted projects totalled 379. For the six months ended 30 June 2021, GFA under management by the Group's property management services reached approximately 56.2 million sq.m., representing an increase of approximately 36.3% as compared with that as of 31 December 2020, and the number of projects under management totalled 297.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the six months ended 30 June 2021 and 2020 respectively:

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Contracted GFA ***('000 sq.m.)***	**GFA under management** ***('000 sq.m.)***	Contracted GFA *('000 sq.m.)*	GFA under management *('000 sq.m.)*
As of the beginning of the period	**87,397**	**41,277**	36,998	22,938
New engagements[(1)]	**6,595**	**13,758**	50,680	18,596
Terminations[(2)]	**(285)**	**(285)**	(281)	(257)
Acquisition[(3)]	**1,490**	**1,490**	–	–
As of the end of the period	**95,197**	**56,240**	87,397	41,277

Notes:

(1) With respect to residential communities the Group manage, new engagements primarily included preliminary management contracts for new properties developed by property developers and property management service contracts for residential communities replacing their previous property management service providers.

(2) These terminations included the Group's voluntary non-renewal of certain property management service contracts as it reallocated its resources to more profitable engagements in an effort to optimise its property management portfolio.

(3) This represented the GFA of 1.49 million sq.m. under the management of Zhenro Commercial Management, which was acquired by the Group on 29 June 2021.

Geographic Presence of the Group

As of 30 June 2021, the Group has expanded its geographic presence to 46 cities in China.

The table below sets forth a breakdown of the Group's total GFA under management as of the dates and total revenue generated from property management services by geographic location for the six months ended 30 June 2021 and 2020 respectively:

	As of 30 June or for the six months ended 30 June					
	2021			2020		
	GFA *('000 sq.m.)*	**Revenue** *RMB'000*	*%*	GFA *('000 sq.m.)*	Revenue *RMB'000*	*%*
Yangtze River Delta Region(1)	**19,346**	**194,322**	**59.5**	12,135	128,788	57.1
Bohai Rim Region(2)	**2,113**	**17,371**	**5.3**	715	13,232	5.9
Midwest Region(3)	**14,395**	**49,583**	**15.2**	4,297	30,772	13.6
Western Straits Region(4)	**20,386**	**65,302**	**20.0**	10,625	52,654	23.4
Total	**56,240**	**326,578**	**100.0**	27,772	225,446	100.0

Notes:

(1) Cities in which the Group has property management projects in the Yangtze River Delta Region include Shanghai, Nanjing, Suzhou, Hefei, Jiaxing, Taizhou, Chuzhou, Lu'an, Wuhu, Changzhou, Suzhou, Xuancheng, Chaohu, Lujiang and Fuyang.

(2) Cities in which the Group has property management projects in the Bohai Rim Region include Tianjin, Jinan, Xuzhou, Luoyang, Suqian, Zhengzhou and Heze.

(3) Cities in which the Group has property management projects in the Midwest Region include Nanchang, Yichun, Changsha, Wuhan, Xi'an, Ganzhou, Suizhou, Xiangyang, Yueyang, Chongqing, Changde, Chengdu, Ji'an, Huanggang, Baoji and Xianyang.

(4) Cities in which the Group has property management projects in the Western Straits Region include Fuzhou, Putian, Pingtan, Nanping, Quanzhou, Sanming, Zhangzhou and Xiamen.

Value-Added Services to Non-Property Owners

The Group provides value-added services to non-property owners, which mainly comprise (i) sales assistance services (involving assistance to property developers in showcasing and marketing their properties, cleaning and maintenance, security and visitor management), (ii) additional tailored services customised to meet specific needs of its customers on an as-needed basis, (iii) housing repair services and sales of goods, (iv) preliminary planning and design consultancy services, and (v) pre-delivery inspection services. Most of these non-property owners are property developers.

In the first half of 2021, revenue from value-added services to non-property owners increased by 53.6% to approximately RMB242.5 million compared to approximately RMB157.8 million in the same period of 2020, mainly due to the substantial increase in the number of projects developed by the Group and the partner property developers, which in turn resulted in increased demand for services such as sales assistance services, additional tailored services and preliminary planning and design consultancy services. In the first half of 2021, the revenue from value-added services to non-property owners accounted for 35.4% of the total revenue.

The following table sets forth the revenue breakdown of value-added services to non-property owners for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Sales assistance services	**119,446**	**49.3**	113,753	72.1
Additional tailored services and sales of goods	**100,839**	**41.6**	18,466	11.7
Housing repair services	**14,892**	**6.1**	11,709	7.4
Preliminary planning and design consultancy services	**4,672**	**1.9**	10,464	6.6
Pre-delivery inspection services	**2,624**	**1.1**	3,447	2.2
Total	**242,473**	**100.0**	157,839	100.0

Community Value-Added Services

The Group provides community value-added services to property owners and residents under management, which mainly comprise (i) home-living services, (ii) car park management, rental assistance and other services, and (iii) common area value-added services.

In the first half of 2021, the revenue from community value-added services increased by 90.7% to approximately RMB115.2 million compared to approximately RMB60.4 million in the same period of 2020, mainly due to the expansion of GFA under management, the substantial increase in the number of service users and the provision of diversified home-living products. In the first half of 2021, revenue from community value-added services accounted for 16.9% of total revenue, representing an increase of approximately 3.3% as compared with the same period of 2020.

At present, the Group's community value-added services include three categories: (i) home-living services, (ii) car park management, leasing assistance and other services, and (iii) common area value-added services.

The following table sets forth the revenue breakdown of community value-added services for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Home-living services(1)	**47,232**	**41.0**	24,431	40.5
Car park management, leasing assistance and other services(2)	**58,667**	**51.0**	30,012	49.7
Common area value-added services(3)	**9,262**	**8.0**	5,940	9.8
Total	**115,161**	**100.0**	60,383	100.0

Notes:

(1) It mainly includes services such as cleaning, group purchase, turnkey furnishing, home maintenance and utility fee collection services.

(2) It mainly includes income from the management and assistance of parking lot leasing, provision of real estate brokerage services related to properties and parking spaces to owners and other services.

(3) It mainly includes common area advertising space and service income from common area leasing.

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly derived from three major businesses: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services. During the Reporting Period, the Group's revenue amounted to approximately RMB684.2 million, representing an increase of approximately 54.2% as compared with RMB443.7 million in the same period of 2020.

The following table sets out the revenue contribution of each business segment during the periods indicated:

	For the six months ended 30 June				
	2021	**Percentage of revenue**	2020	Percentage of revenue	Growth rate
	RMB'000	***%***	*RMB'000*	*%*	*%*
	Unaudited		Unaudited		
Property management services	**326,578**	**47.7**	225,446	50.8	44.9
Value-added services to non-property owners	**242,473**	**35.4**	157,839	35.6	53.6
Community value-added services	**115,161**	**16.9**	60,383	13.6	90.7
Total	**684,212**	**100.0**	443,668	100.0	54.2

Property management services is still the largest source of income for the Group. For the six months ended 30 June 2021, revenue from property management services reached approximately RMB326.6 million, accounting for 47.7% of the total revenue of the Group. Such revenue growth was attributable to the rapid growth of GFA under management, which was due to the Group's continuous cooperation with Zhenro Properties Group and its commitment to expanding the third-party customers base. The increase in revenue from value-added services to non-property owners was mainly due to the increase in property development projects which led to an increase in demand of services. The increase in revenue from community value-added services was mainly due to the increase in GFA under management and service users and the increasing diversification of home-living service business types.

Cost of Sales

The cost of sales of the Group mainly includes staff costs, subcontracting costs, greening and landscaping costs, utilities expenses, materials, depreciation and amortisation, office expenses and community activity costs.

During the Reporting Period, the cost of sales of the Group was approximately RMB446.4 million, representing an increase of approximately 54.8% as compared with approximately RMB288.4 million in the same period of 2020. The increase in the cost of sales was mainly due to the rapid growth of the Group's business scale. The growth rate of the Group's cost of sales was slower than the growth rate of revenue, mainly due to economies of scale and the Group's efforts to control costs by strengthening the use of information technology systems.

Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit increased by approximately 53.1% from approximately RMB155.3 million for the same period in 2020 to approximately RMB237.8 million.

During the Reporting Period, the gross profit margin of the Group slightly decreased to 34.8% from 35.0% for the same period in 2020, and equals to 34.8% for the year of 2020.

The gross profit margin of the Group by business line is as follows:

	For the six months ended 30 June		
	2021 ***Gross profit margin*** *%*	2020 *Gross profit margin* *%*	Changes in gross profit margin *Percentage points*
Property management services	**24.6**	24.7	-0.1
Value-added services to non-property owners	**32.9**	36.8	-3.9
Community value-added services	**67.5**	69.0	-1.5
Total	**34.8**	35.0	-0.2

Other income and gains

During the Reporting Period, the other income and gains of the Group increased by approximately 31.3% from approximately RMB3.5 million for the same period in 2020 to approximately RMB4.6 million. The increase was mainly due to the increase in government grants as compared to the same period of 2020.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group increased by approximately 39.4% from approximately RMB63.9 million for the same period in 2020 to approximately RMB89.0 million, mainly due to the expansion of the scale under management, and the increase was much lower than the revenue growth of the Group. During the Reporting Period, administrative expenses accounted for 13.0% of the revenue, representing a decrease of 1.4 percentage points as compared with 14.4% in the same period of 2020, mainly due to the one-off nature of the listing expenses of the Group incurred in the corresponding period in 2020 which were not repeated in the Reporting Period, and the implementation of sound cost control measures for the enhancement of the Group's operating efficiency.

Income tax expenses

During the Reporting Period, the income tax expenses of the Group increased by approximately 41.0% from approximately RMB27.1 million for the same period in 2020 to approximately RMB38.2 million. The increase in tax expenses was mainly due to the increase in profit before tax.

Profit attributable to owners of the Company

During the Reporting Period, the profit attributable to owners of the Company for the period was approximately RMB101.1 million, representing an increase of approximately 69.6% as compared with approximately RMB59.6 million for the same period in 2020.

Property and equipment

The property and equipment of the Group mainly included buildings, office equipment, electronic equipment and other assets. As of 30 June 2021, the property and equipment of the Group was approximately RMB6.6 million, representing a decrease of approximately RMB0.4 million or 6.6% as compared with approximately RMB7.0 million as at 31 December 2020.

Trade receivables

The Group's trade receivables mainly derived from revenue from property management services and value-added services to non-property owners. As of 30 June 2021, the Group's trade receivables amounted to approximately RMB375.1 million, representing an increase of approximately RMB103.0 million or approximately 37.8% as compared with approximately RMB272.1 million as of 31 December 2020. The increase was mainly due to the rapid business expansion during the first half of the year.

Prepayments, deposits and other receivables

The Group's prepayments, deposits and other receivables primarily consisted of payments made on behalf of our property owners such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities and deposits in relation to the public biddings. As of 30 June 2021, the Group's prepayments, deposits and other receivables amounted to approximately RMB36.4 million, representing an increase of approximately 13.8% as compared with approximately RMB32.0 million as at 31 December 2020. The increase was due to the growth of the Group's business scale, which has led to the increase in deposits, security deposits and reserve funds required in the daily operations and transactions payments with business units.

Trade payables

As of 30 June 2021, the Group's trade payables amounted to approximately RMB200.9 million, representing an increase of approximately 20.5% from approximately RMB166.7 million as of 31 December 2020. The increase was mainly due to the growth of the Group's business scale and the increase in subcontracting services to independent third-party service providers.

Liquidity and financial resources

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

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

The Group's borrowings were all denominated in RMB and bear interest at fixed rates. As of 30 June 2021, the borrowings of the Group amounted to RMB83.8 million, compared to RMB27.4 million as of 31 December 2020. From the respective drawdown dates, the Group's borrowings repayable within one year were RMB43.0 million and repayable over one year were RMB40.8 million as of 30 June 2021, while repayable within one year were RMB14.0 million and repayable over one year were RMB13.4 million as of 31 December 2020. Except as disclosed herein and apart from intra-group liabilities, the Group did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans as of 30 June 2021.

PLEDGE OF ASSETS

As of 30 June 2021, the Group's had the following bank borrowings which were secured by pledged assets as follows:

(1) RMB30,200,000 were secured by the pledge of 70% equity interest in a subsidiary, Jiangsu Sutie Property Management Co., Ltd. (31 December 2020: Nil);

(2) RMB9,000,000 were secured by the pledge of 100% equity interest in Zhenro Enterprise Service Co., Ltd. (31 December 2020: RMB10,000,000).

FINANCIAL RISKS

INTEREST RATE RISK

The Group's exposure to risk for changes in interest rates related primarily to the Group's interest-bearing bank and other borrowings. The Group was not exposed to material risk directly relating to changes in market interest rates. The Group did not use derivative financial instruments to hedge interest rate risk. The Group's all bank borrowings were obtained with fixed interest rates.

FOREIGN EXCHANGE RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles all of its transactions is RMB. Any depreciation of RMB would adversely affect the value of any dividends the Group pays to shareholders outside of the PRC. The Group had no cash at banks denominated in foreign currencies. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk.

DEBT TO ASSET RATIO

As of 30 June 2021, the Group's debt to asset ratio was 0.06 times, representing an increase of 0.04 times as compared with 0.02 times of debt to asset ratio as of 31 December 2020. Debt to asset ratio equals interest-bearing bank borrowings divided by total equity.

CONTINGENT LIABILITIES

As of 30 June 2021, the Group had no material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 19 May 2021, the Group entered into an agreement with members of Zhenro Property Group, a connected person of the Company, to acquire in aggregate of 99% equity interest in Zhenro Commercial Management at a total cash consideration of RMB891 million (subject to adjustments). The Group paid the first instalment of RMB534.6 million on 30 June 2021 when the first completion took place. Since the first completion, the Group has accounted for Zhenro Commercial Management as its non-wholly owned subsidiary and consolidated the assets and liabilities of Zhenro Commercial Management into its financial statements.

The remaining consideration of RMB356.4 million (subject to adjustments) will be paid in 2022.

Financial impact of the acquisition is summarised in note 14 on page 13 of this announcement. Details of the acquisition are set out in the Company's announcement of 19 May 2021 and circular of 9 June 2021.

The acquisition would further improve the Group's market position in China's property management industry and enhance the Group's comprehensive service capabilities in the property management industry on the existing basis

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Reporting Period, there were no significant investments held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement and in the section "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2020 (the "**Prospectus**"), the Group had no plan for material investments and capital assets.

EMPLOYEES

As of 30 June 2021, the Group had approximately 4,679 employees (31 December 2020: approximately 4,635 employees). During the Reporting Period, the total staff costs were approximately RMB251.1 million.

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

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

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

USE OF PROCEEDS

The net proceeds raised in connection with the initial public offering of the Company in July 2020 (including the exercise of the over-allotment options) amounted to approximately HK$1,267.7 million (equivalent to approximately RMB1,141.7 million) (the "**Net Proceeds**").

As set out in the announcement of the Company dated 19 May 2021, the Board had resolved to reallocate the net proceeds which were originally planned to be used on acquisition of and investment in other property management companies and community products and services as disclosed in the Prospectus, to the acquisition of Zhenro Commercial Management Co., Ltd.. The proposed allocation of the net proceeds in accordance with the Prospectus, the reallocated use of the net proceeds and the actual usage of the net proceeds up to 30 June 2021 are set out below:

Proposed use of Net Proceeds as set out in the Prospectus	**Net Proceeds Original** *RMB million*	**Net Proceeds Reallocation** *RMB million*	**Utilised Net Proceeds** *RMB million*	**Unutilised Net Proceeds as of 30 June 2021** *RMB million*	**Expected time of full utilisation**
Acquisition of and investment in other property management companies	314.0	–	–	–	Not applicable
Acquisition of community products and services	314.0	–	–	–	Not applicable
Development of the Group's information management system	228.3	228.3	54.7	173.6	Before 31 December 2022
Further development of the Group's "Rong Wisdom" (榮智慧) service software	171.2	171.2	41.2	130.0	Before 31 December 2022
General business operations and working capital	114.2	114.2	114.2	–	Not applicable
Acquisition of Zhenro Commercial Management	–	628.0	534.6	93.4	Before 31 December 2022
Total	**1,141.7**	**1,141.7**	**746.5**	**395.2**	

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There were no major events which would have impact on the Company since the end of the Reporting Period up to the date of this announcement.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining and strengthening high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness, in order to safeguard and protect the interests of the Shareholders and to enhance corporate value and accountability system. The Company has adopt the principles and code provisions of the Corporate Governance Code ("**CG Code**") as contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

Throughout the Reporting Period, the Company has complied with all the applicable code provisions set out in the CG Code. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions.

All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the guidelines contained in the Model Code throughout the Reporting Period.

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

Neither the Company nor any of its subsidiaries purchased, sold and redeemed any of the listed securities of the Company during the Reporting Period.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include, but are not limited to, (i) reviewing and supervising financial reporting process and internal control system of the Group, risk management and internal audit; (ii) providing recommendations and advices to the Board; and (iii) performing other duties and responsibilities as may be assigned by the Board.

The Audit Committee comprises three members, namely Mr. Zhang Wei and Mr. Ma Haiyue, who are independent non-executive Directors, and Mr. Chan Wai Kin, who is a non-executive Director. Mr. Zhang Wei has been appointed as the chairman of the Audit Committee, and Mr. Ma Haiyue has the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Interim Results for the six months ended 30 June 2021 had been reviewed by the Audit Committee before being recommended to the Board for approval.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This Interim Results announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zhenrowy.com). The interim report of the Company for the six months ended 30 June 2021 will be despatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 20 August 2021

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