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zhenro 正榮服務
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 2022**

INTERIM RESULTS AND OPERATIONAL HIGHLIGHTS

1. During the Reporting Period, the revenue of the Group was approximately RMB605.8 million, representing a decrease of approximately 11.5% as compared with the revenue of approximately RMB684.2 million in the same period of 2021.
2. The revenue of the Group is mainly derived from four major businesses: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) commercial operational management services. During the Reporting Period, (i) property management services remained the largest source of revenue for the Group, revenue from property management services reached approximately RMB355.0 million, accounting for approximately 58.6% of the overall revenue, representing a year-on-year increase of approximately 8.7% as compared with approximately RMB326.6 million in the same period of 2021; (ii) revenue from value-added services to non-property owners reached approximately RMB104.3 million, accounting for approximately 17.2% of the overall revenue, representing a year-on-year decrease of approximately 57.0% compared to approximately RMB242.5 million in the same period of 2021; (iii) revenue from community value-added services reached approximately RMB84.0 million, accounting for 13.9% of the overall revenue, representing a year-on-year decrease of approximately 27.0% compared to approximately RMB115.2 million in the same period of 2021; and (iv) revenue from commercial operational management services reached approximately RMB62.5 million, accounting for 10.3% of the overall revenue.
3. During the Reporting Period, the gross profit of the Group was approximately RMB193.1 million for the six months ended 30 June 2022, representing a decrease of approximately 18.8% from approximately RMB237.8 million in the same period of 2021.
4. The profit for the period of the Group was approximately RMB9.2 million, representing a decrease of approximately 91.0% from approximately RMB102.7 million in the same period of 2021. The profit attributable to owners of the parent for the period was approximately RMB8.4 million, representing a decrease of approximately 91.7% from approximately RMB101.1 million in the same period of 2021.
5. As at 30 June 2022, the gross floor area (“GFA”) under management of the Group’s property management services was approximately 75.2 million square meters (“sq.m.”), representing an increase of approximately 6.0% from approximately 71.0 million sq.m. as at 31 December 2021.
6. The Board resolved not to declare any interim dividend for the six months ended 30 June 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Zhenro Services Group Limited (the “**Company**” or “**Zhenro Services**”) 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 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	5	605,798	684,212
Cost of sales		<u>(412,713)</u>	<u>(446,409)</u>
GROSS PROFIT		193,085	237,803
Other income and gains	5	12,721	4,593
Administrative expenses		(75,190)	(89,027)
Impairment losses on financial assets, net		(90,124)	(11,405)
Fair value losses on investment properties		(26,570)	–
Finance costs		<u>(6,481)</u>	<u>(1,043)</u>
PROFIT BEFORE TAX	6	7,441	140,921
Income tax credit/(expenses)	7	<u>1,791</u>	<u>(38,186)</u>
PROFIT FOR THE PERIOD		<u>9,232</u>	<u>102,735</u>
Attributable to:			
Owners of the parent		8,369	101,075
Non-controlling interests		<u>863</u>	<u>1,660</u>
		<u>9,232</u>	<u>102,735</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	9	<u>RMB0.01</u>	<u>RMB0.10</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	9,232	102,735
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Translation differences of the Company's financial statements into presentation currency	(41)	(6,320)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	(41)	(6,320)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(41)	(6,320)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9,191	96,415
Attributable to:		
Owners of the parent	8,328	94,755
Non-controlling interests	863	1,660
	9,191	96,415

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property and equipment	<i>10</i>	6,430	7,570
Investment properties		123,220	166,490
Right-of-use assets		7,322	8,194
Goodwill		766,626	766,626
Other intangible assets		48,424	52,127
Investment in associates		980	980
Finance lease receivables		18,493	53,718
Deferred tax assets		61,349	20,321
		<hr/>	<hr/>
Total non-current assets		1,032,844	1,076,026
		<hr/>	<hr/>
CURRENT ASSETS			
Finance lease receivables		42,715	58,795
Trade receivables	<i>11</i>	328,925	310,832
Due from related companies		167,728	275,024
Prepayments, deposits and other receivables		101,331	56,361
Cash and cash equivalents		669,936	736,914
Pledged deposits		4,616	4,616
		<hr/>	<hr/>
Total current assets		1,315,251	1,442,542
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>12</i>	196,216	202,118
Other payables and accruals		367,476	479,932
Due to related companies		–	2,594
Interest-bearing bank borrowings	<i>13</i>	96,250	87,544
Lease liabilities		66,807	70,596
Tax payables		49,342	37,365
		<hr/>	<hr/>
Total current liabilities		776,091	880,149
		<hr/>	<hr/>
NET CURRENT ASSETS		539,160	562,393
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,572,004	1,638,419
		<hr/> <hr/>	<hr/> <hr/>

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>13</i>	22,660	30,555
Lease liabilities		38,059	79,808
Deferred tax liabilities		41,026	44,578
Other payables		11,036	10,177
		<hr/>	<hr/>
Total non-current liabilities		112,781	165,118
		<hr/>	<hr/>
NET ASSETS		1,459,223	1,473,301
		<hr/> <hr/>	<hr/> <hr/>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		7,867	7,867
Reserves		1,445,422	1,443,273
		<hr/>	<hr/>
		1,453,289	1,451,140
		<hr/>	<hr/>
Non-controlling interests		5,934	22,161
		<hr/>	<hr/>
TOTAL EQUITY		1,459,223	1,473,301
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2022

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, community value-added services for residential and non-residential properties and commercial operational management services in the People's Republic of China ("PRC")/ Mainland China.

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 2022 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 2021.

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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

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

- a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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 2022, revenue from sales to Zhenro Properties Group Limited and its subsidiaries ("**Zhenro Properties Group**") contributed 20.3% (30 June 2021: 19.4%) 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	581,852	684,212
Revenue from other sources		
Sublease services	23,946	–
	<u>605,798</u>	<u>684,212</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2022

Segments	Property Management services <i>RMB'000</i> (Unaudited)	Value-added services to non-property owners <i>RMB'000</i> (Unaudited)	Community value-added services <i>RMB'000</i> (Unaudited)	Brand and management output services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services					
Rendering of services	354,967	99,735	77,134	38,579	570,415
Sales of goods	–	4,557	6,880	–	11,437
Total revenue from contracts with customers	<u>354,967</u>	<u>104,292</u>	<u>84,014</u>	<u>38,579</u>	<u>581,852</u>
Geographical markets					
Mainland China	<u>354,967</u>	<u>104,292</u>	<u>84,014</u>	<u>38,579</u>	<u>581,852</u>
Timing of revenue recognition					
Revenue recognised over time	354,967	96,020	21,518	34,930	507,435
Revenue recognised at a point in time	–	8,272	62,496	3,649	74,417
Total revenue from contracts with customers	<u>354,967</u>	<u>104,292</u>	<u>84,014</u>	<u>38,579</u>	<u>581,852</u>

For the six months ended 30 June 2021

Segments	Property Management services <i>RMB'000</i> (Unaudited)	Value-added services to non-property owners <i>RMB'000</i> (Unaudited)	Community value-added services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
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	<u>326,578</u>	<u>242,473</u>	<u>115,161</u>	<u>684,212</u>
Geographical markets				
Mainland China	<u>326,578</u>	<u>242,473</u>	<u>115,161</u>	<u>684,212</u>
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	<u>326,578</u>	<u>242,473</u>	<u>115,161</u>	<u>684,212</u>

For the six months ended 30 June

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Other income		
Interest income	111	758
Government grants	5,715	2,211
Value added tax additional deduction	1,101	220
Rental income	1,216	1,154
Finance income from finance lease	3,546	–
Others	1,032	250
	<u>12,721</u>	<u>4,593</u>

6. PROFIT BEFORE TAX

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

	Note	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation of property and equipment	10	2,265	2,143
Depreciation of right-of-use assets		612	1,274
Amortisation of other intangible assets		3,550	2,246
Lease payments not included in the measurement of lease liabilities		1,919	1,874
Auditor's remuneration		1,550	1,950
Impairment of financial assets, net		–	–
Impairment of financial lease receivables, net		(495)	–
Impairment of trade receivables, net		7,901	10,760
Impairment of due from related parties, net		81,030	–
Impairment of other receivables, net		1,688	645
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other allowances		209,777	221,380
Pension scheme contributions and social welfare		28,249	29,705
		238,026	251,085

7. INCOME TAX

The Group is subject 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 Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong during the reporting period.

The general corporate income tax rate in the PRC is 25%. Certain of the Group's subsidiaries enjoy the preferential income tax treatment for Small and Micro Enterprise ("SLE") with the income tax rate of 20% and are eligible to have their tax calculated based on 25% or 50% of their taxable income. One of the Group's subsidiaries is located in the Economic Area of GuangXi North Bay in western regions of China and enjoy the preferential income tax rate of 9%.

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current – Mainland China:		
Charge for the period	38,406	43,751
Deferred tax	(40,197)	(5,565)
	(1,791)	38,186
Total tax charge for the period	(1,791)	38,186

8. DIVIDENDS

The directors do not recommend any interim dividend for the six months ended 30 June 2022.

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

The calculation of the basic earnings per share amounts 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 2021: 1,037,500,000) in issue during the period.

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

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

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	8,369	101,075
	<u>8,369</u>	<u>101,075</u>
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	1,037,500,000	1,037,500,000
	<u>1,037,500,000</u>	<u>1,037,500,000</u>

10. PROPERTY AND EQUIPMENT

	<i>RMB'000</i>
	(Unaudited)
At 1 January 2022	7,570
Additions	1,394
Disposal of a subsidiary	(195)
Depreciation (<i>note 6</i>)	(2,265)
Disposals	(74)
	<u>6,430</u>
At 30 June 2022	<u>6,430</u>

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	288,113	275,919
1 to 2 years	38,381	33,210
2 to 3 years	2,431	1,703
	<u>328,925</u>	<u>310,832</u>

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	182,377	197,760
Over 1 year	13,839	4,358
	<u>196,216</u>	<u>202,118</u>

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. INTEREST-BEARING BANK BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current		
Bank loan – unsecured	30,000	57,044
Bank loan – secured	16,600	20,000
Current portion of long-term bank loans		
– unsecured	41,650	2,500
– secured	8,000	8,000
	96,250	87,544
Non-current		
Bank loans repayable over one year		
– unsecured	6,500	11,375
– secured	16,160	19,180
	22,660	30,555
	118,910	118,099
Carrying amounts repayable:		
Within one year	96,250	87,544
Over one year	22,660	30,555
	118,910	118,099

The Group's borrowings are all denominated in RMB and bear interest at fixed rates.

As at 30 June 2022, the Group's bank borrowings of RMB24,160,000 (31 December 2021: RMB27,180,000) were pledged by 70% equity interests of Jiangsu Sutie Property Management Co., Ltd., a subsidiary the Group. As at 30 June 2022, the Group's bank borrowings of RMB16,600,000 (31 December 2021: RMB20,000,000) were guaranteed by Zhenro Group Company, a company controlled by the controlling shareholder.

14. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 26 August 2022.

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 2022.

RESULTS REVIEW

During the Reporting Period, the revenue of the Group decreased by approximately 11.5% to RMB605.8 million as compared with RMB684.2 million for the corresponding period last year; the profit for the period was approximately RMB9.2 million, representing a decrease of approximately 91.0% as compared with RMB102.7 million for the corresponding period last year; and the profit attributable to owners of the parent for the period was approximately RMB8.4 million, representing a decrease of approximately 91.7% as compared with RMB101.1 million for the corresponding period last year.

BUSINESS REVIEW

In 2022, the global economic development will enter into a “post-pandemic era”, and China will face pressures in epidemic prevention and control and economic growth. With the continued increase in countercyclical policies, the domestic economy has shown a strong sign of “steady growth”. The changes in macro policies and industries have promoted the consolidation of companies within the property management industry and the concentration of market shares, and the property service industry has gradually become the backbone of urban governance and life services, which have been developing more independently.

In the first half of 2022, the Group actively responded to market changes. With its leading market-oriented expansion capabilities and abundant resource integration advantages in deep engagement areas, the Group promoted multi-format development layout and diversified business innovation, strengthened urban service operation capabilities, and achieved steady growth in business scale and performance. At the same time, with its profound brand accumulation, the Group continued to improve its service quality, optimized management and control standards, and utilized the strength of digital technology to strengthen organizational efficiency and improve its operations, thus laying a solid foundation for sustainable development.

During the Reporting Period, in the face of repeated epidemics in various places, Zhenro Services, by adhering to its philosophy and mission, has built a “Great Wall of Epidemic Prevention” (“防疫長城”) for property owners with its invariable original aspirations, and has won a wide round of applause from society.

Focusing on advantageous regions and paths, and adhering to business innovation

In the first half of 2022, the Group continued to deepen and broaden its advantageous regions, leveraged its strategic resource advantages and increased the density of regional projects, laying the foundation for the continuous expansion of its business scale, and expanded its businesses to new cities in addition to various advantageous regions such as Shanghai, Nanjing, Suzhou and Fuzhou. In terms of business sector selection, the Group focused on the types of projects with more room for growth and value, such as projects related to commercial offices, public construction and industrial parks. Meanwhile, the Group promoted the transformation of high-quality strategic resources through innovative and optimized cooperation models and continuously improved expansion channels, and continued to achieve breakthroughs in the fields of urban services, space

management and business management. In the first half of the year, the Group acquired high-quality commercial offices, urban services and commercial operational management projects, such as Suzhou Huqiu Scenic Spot, Nanjing Xuanwu Lake Scenic Spot, China Mobile Guangzhou Branch, China Telecom Yichun Branch and Kunshan Zhaofeng Plaza.

During the Reporting Period, the number of property service projects under management of the Group increased to 367. The contracted GFA reached approximately 107.1 million sq.m., representing a net increase of approximately 3.1 million sq.m. as compared to 31 December 2021, and the total GFA under management reached approximately 75.2 million sq.m., representing a net increase of approximately 4.2 million sq.m. as compared to 31 December 2021.

Adhering to the quality foundation, and practicing green development and social responsibility

We are well aware that high-quality services can promote the long-term development of enterprises, and Zhenro Services has always adhered to the brand philosophy of “providing heartfelt and personalized services for your well-being”, and insisted on quality improvement in a high-quality, caring and intelligent manner. We have maintained the pursuit of high standards in terms of product and service quality, continued to build five major sub-brands, and proposed a “Happiness Spectrum” product system to lay out diversified tracks. We have made efforts to build a beautiful life in every scenario and at every moment, through creating Rongju (榮居) “residential property services”, Rongqi (榮企) “business enterprise property services”, Rongcheng (榮城) “urban services”, Rongshang (榮商) “business management” and Rong+ (榮+) “innovative business”. With the aim to improve property owners’ satisfaction and their service experience, the Group combined years of experience in quality management and benchmarked outstanding management projects in the industry. At the end of 2021, the Group completed grading of 118 key projects under management, and launched the “premium, classic, supreme” product line for residential properties. Meanwhile, through the creation of benchmarked projects, the Group further expanded its service touchpoints, refined its management, improved its services and brands and achieved service quality upgrade.

In the first half of 2022, the Group actively responded to the national policy in relation to sustainable development strategy and practiced a green and low-carbon management model. During the Reporting Period, the Group comprehensively improved its energy use efficiency by setting up energy consumption management targets for each project, optimizing the energy consumption management system structure and control standards, and upgrading energy-saving equipment in key projects. At the same time, the Group promoted green community construction and sustainable community development by implementing waste separation and control and linking communities and merchants to carry out green, low-carbon and public welfare projects.

In the face of the recurring and regional outbreaks of the COVID-19 epidemic during the first half of the year, our team worked around the clock to effectively ensure the safety and well-being of property owners and merchants through rapid and orderly prevention and control measures and community control systems to shield property owners and merchants from the epidemic. The perseverance of our team has been recognized by society and property owners.

At the same time, the Group has continued to deliver a beautiful living experience to property owners, further optimized its operation cost and improved its operation efficiency through its arrangements for intelligent communities and the improvement of the operation of digital platform, and accelerating the integration of community resources, focusing on the actual living needs of property owners, and actively developing innovative community value-added service projects.

Integration of property owners’ needs, acceleration in innovation of the community value-added business, and deepening smart operations

With the continuous improvement of project density in deep engagement areas, the Group fully utilizes the resource advantages of projects under management and deeply integrates the needs of property owners, actively expands high-quality business resources, promotes the innovation of community value-added business, and improves the ecological chain of community services.

During the Reporting Period, we focused on customers’ living needs such as food, accommodation and travel, and relied on the Group’s online platform “Rong Xiang Life” (“榮享生活”) to promote the linkage of online and offline resources and capture business opportunities from multiple aspects. While creating growth points of community retail and life service businesses, we also promoted the improvement of the ecological chain of community services. Meanwhile, through the effective coordination of high-quality commercial project resources and community value-added service business, the Group launched “Rong-xiang Market” (“榮享集市”) to realize resources sharing and deep mining of community resources, and to promote the improvement of community and commercial space value.

In terms of smart operation, the Group unswervingly implements the technology strategy and promotes the development of smart properties. During the Reporting Period, through the gradual integration of the panorama plan management platform “Rongzhantu” (“榮戰圖”) with the Group’s business, the operation efficiency, management standards and service quality of the Group have been effectively improved, and the digital transformation of the information coverage and management of the Group’s business operations has been gradually realized. At the same time, through the optimization and upgrade of multiple online service scenarios of the online service platform “Rongzhihui” (“榮智慧”), the digitization and intelligent management of the community are effectively promoted, and the management and control efficiency and quality experience have been improved.

OUTLOOK

In 2022, the domestic epidemic prevention and control and economic growth will continue to face pressure, and the nation’s policies will continue to release the signal of “stable economic growth”. We believe that the positive signal from the national policies will continue to expand the business of property enterprises, enhance the development potential of each business track in a multi-dimensional manner, and create room for business growth. While the property management industry has a broader space for development, the industry has higher expectations for the professional operation standard and independent development ability of property enterprises. In the face of a wide range of market opportunities and challenges, the Group will continue to take a more active strategic attitude, continue to adhere to the provision of quality services, and consolidate the fundamentals of basic business; strengthen the government coordination in deep engagement areas, actively explore innovative cooperation models, expand the business through multi-channel market expansion and business innovation, and stabilize the foundation of independent and sustainable development; meanwhile, in order to promote the development of smart properties and steadily improve operational efficiency, the Group will unswervingly implement the technology strategy, promote digital empowerment, and build core competitiveness.

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 philosophy of “providing heartfelt and personalised services for your well-being” (“服務由心，幸福為你”), create a beautiful life for our customers, and continue our efforts on contributing to the prosperity of society.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Model of the Group

The Group has four business lines, namely, (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) commercial operational management services, providing integrated services to its customers that cover the entire value chain of property management.

- **Property management services.** The Group provides a wide range of property management services to property developers, property owners, residents and commercial property tenants. 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 and commercial 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 providing assistance to property developers in showcasing and marketing their properties, cleaning and maintenance services, and security and visitor management services); (ii) additional tailored services customised to meet specific needs of customers on an as-needed basis and sales of goods; (iii) 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. The community value-added services 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.
- **Commercial operational management services.** The Group provides commercial operational management services to tenants and customers, which primarily include (i) brand and management output services; and (ii) sublease services.

The Group believes that its property management services 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 can help it gain early access to property development projects and establish and cultivate business relationships with 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 four business lines will continue to enable it to gain greater market shares and expand its business presence in China.

Property Management Services

Continuous Steadily Growth in Both Area and Scale

The Group adhered to the strategic target to steadily expand its management coverage area, and has achieved steady growth in contracted GFA and GFA under management through multiple efforts. As at 30 June 2022, the Group's contracted GFA amounted to approximately 107.1 million sq.m., representing an increase of 3.0% as compared with that as of 31 December 2021, and the number of contracted projects totalled 453. For the six months ended 30 June 2022, GFA under management of the Group's property management services reached approximately 75.2 million sq.m., representing an increase of approximately 6.0% as compared with that as of 31 December 2021, and the number of projects under management totalled 367.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the six months ended 30 June 2022 and for the year ended 31 December 2021 respectively:

	For the six months ended 30 June 2022		For the year ended 31 December 2021	
	Contracted GFA (<i>'000 sq.m.</i>)	GFA under management (<i>'000 sq.m.</i>)	Contracted GFA (<i>'000 sq.m.</i>)	GFA under management (<i>'000 sq.m.</i>)
As of the beginning of the period	104,055	70,982	87,397	41,277
New engagements ⁽¹⁾	3,288	4,421	15,631	28,678
Terminations ⁽²⁾	(195)	(195)	(463)	(463)
Acquisition ⁽³⁾	—	—	1,490	1,490
As of the end of the period	<u>107,148</u>	<u>75,208</u>	<u>104,055</u>	<u>70,982</u>

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 Co., Ltd.* (正榮商業管理有限公司) ("Zhenro Commercial Management"), which was acquired by the Group on 29 June 2021.

Geographic Presence of the Group

As of 30 June 2022, the Group has expanded its geographic presence to 51 cities in China.

The table below sets forth a breakdown of the Group's total GFA under management and the total revenue generated from property management services by geographic location for the six months ended 30 June 2022 and 2021 respectively:

	As of 30 June or for the six months ended 30 June					
	2022			2021		
	GFA	Revenue		GFA	Revenue	
	('000 sq.m.)	RMB'000	%	('000 sq.m.)	RMB'000	%
Yangtze River Delta Region ⁽¹⁾	26,052	205,667	57.9	19,346	194,322	59.5
Bohai Rim Region ⁽²⁾	2,755	23,101	6.5	2,113	17,371	5.3
Midwest Region ⁽³⁾	22,661	55,047	15.5	14,395	49,583	15.2
Western Straits Region ⁽⁴⁾	23,740	71,152	20.1	20,386	65,302	20.0
Total	75,208	354,967	100.0	56,240	326,578	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, Fuyang, Hangzhou, Taizhou, Nantong, Xuzhou, Suqian, Chizhou and Wuxi.
- (2) Cities in which the Group has property management projects in the Bohai Rim Region include Tianjin, Jinan, Luoyang and Zhengzhou.
- (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, Chengdu, Ji'an, Huanggang, Guangyuan, Baoji, Kunming 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, Xiamen and Foshan.

Value-Added Services Provided to Non-Property Owners

The Group provides value-added services to non-property owners, which mainly comprise (i) sales assistance services (involving providing assistance to property developers in showcasing and marketing their properties, cleaning and maintenance services, and security and visitor management services); (ii) additional tailored services customised to meet specific needs of its 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. Most of these non-property owners are property developers.

In the first half of 2022, revenue from value-added services provided to non-property owners decreased by 57.0% to approximately RMB104.3 million compared to approximately RMB242.5 million in the same period of 2021, mainly due to the decreased demand for services such as sales assistance services and additional tailored services in the projects developed by the Group and the partner property developers. In the first half of 2021, the revenue from value-added services to non-property owners accounted for 17.2% of the total revenue.

The following table sets forth the revenue breakdown of value-added services provided to non-property owners for the six months ended 30 June 2022 and 2021:

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales assistance services	51,227	49.1	119,446	49.3
Additional tailored services and sales of goods	37,029	35.5	100,839	41.6
Housing repair services	9,486	9.1	14,892	6.1
Preliminary planning and design consultancy services	3,715	3.6	4,672	1.9
Pre-delivery inspection services	2,835	2.7	2,624	1.1
Total	104,292	100.0	242,473	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 2022, the revenue from community value-added services decreased by 27.0% to approximately RMB84.0 million compared to approximately RMB115.2 million in the same period of 2021, mainly due to the decreased demand for real estate brokerage services related to parking spaces in the projects under management. In the first half of 2022, revenue from community value-added services accounted for 13.9% of the total revenue.

The following table sets forth the revenue breakdown of community value-added services for the six months ended 30 June 2022 and 2021:

	For the six months ended 30 June		2021	
	2022		RMB'000	%
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Home-living services ⁽¹⁾	62,496	74.4	47,232	41.0
Car park management, leasing assistance and other services ⁽²⁾	8,984	10.7	58,667	51.0
Common area value-added services ⁽³⁾	12,534	14.9	9,262	8.0
Total	84,014	100.0	115,161	100.0

Notes:

- (1) It mainly includes services such as cleaning, group purchase, turnkey furnishing, home maintenance, value-added services related to tenants of operational management services 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.

COMMERCIAL OPERATIONAL MANAGEMENT SERVICES

Since the Group's acquisition of Zhenro Commercial Management in 2021, it has engaged in the provision of commercial operational management services to tenants and customers, which primarily include (i) brand and management output services; and (ii) sublease services.

As at 30 June 2022, the number of commercial operation projects under management of the Group reached 27, and the total GFA under management was approximately 155.2 million sq.m.. During the Reporting Period, the commercial operation projects under management were located in Fuzhou, Changsha, Putian, Changzhou, Taixing, Xi'an, etc. During the Reporting Period, Zhenro Commercial Management contributed RMB94.0 million to the Group's revenue, of which the revenue from commercial operational management services was approximately RMB62.5 million.

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly derived from four major businesses: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) commercial operational management business. During the Reporting Period, the Group's revenue amounted to approximately RMB605.8 million, representing a decrease of approximately 11.5% as compared with RMB684.2 million in the same period of 2021.

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

	For the six months ended 30 June				
	2022 RMB'000 Unaudited	Percentage of revenue %	2021 RMB'000 Unaudited	Percentage of revenue %	Growth rate %
Property management services	354,967	58.6	326,578	47.7	8.7
Value-added services to non-property owners	104,292	17.2	242,473	35.4	-57.0
Community value-added services	84,014	13.9	115,161	16.9	-27.0
Commercial operational management services	62,525	10.3	–	–	–
Total	605,798	100.0	684,212	100.0	-11.5

Property management services is still the largest source of income for the Group. For the six months ended 30 June 2022, revenue from property management services reached approximately RMB355.0 million, accounting for 58.6% 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 decrease in value-added services to non-property owners was mainly due to the substantial decrease in the demand for services such as sales assistance services and additional tailored services. The decrease in revenue from community value-added services was mainly due to the decreased demand for real estate brokerage services related to parking spaces in the projects under management.

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 RMB412.7 million, representing a decrease of approximately 7.5% as compared with approximately RMB446.4 million in the same period of 2021. The decrease in the cost of sales was mainly due to the decline of the Group's business scale of value-added services to non-property owners. The decline rate of the Group's cost of sales was slower than the decline rate of its revenue, mainly due to the increase in the labor costs and subcontracting costs for services to customers.

Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit decreased by approximately 18.8% from approximately RMB237.8 million for the same period in 2021 to approximately RMB193.1 million.

During the Reporting Period, the gross profit margin of the Group decreased to 31.9% from 34.8% for the same period in 2021.

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

	For the six months ended 30 June		
	2022 <i>Gross profit margin</i> %	2021 <i>Gross profit margin</i> %	Changes in gross profit margin <i>Percentage points</i>
Property management services	24.7	24.6	0.1
Value-added services to non-property owners	14.6	32.9	-18.3
Community value-added services	67.7	67.5	0.2
Commercial operational management services	53.5	—	—
Total	31.9	34.8	-2.9

Other income and gains

During the Reporting Period, the other income and gains of the Group increased by approximately 177.0% from approximately RMB4.6 million for the same period in 2021 to approximately RMB12.7 million. The increase was mainly due to the increase in government grants and finance lease income as compared to the same period of 2021.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group decreased by approximately 15.5% from approximately RMB89.0 million for the same period in 2021 to approximately RMB75.2 million. During the Reporting Period, administrative expenses accounted for 12.4% of the revenue, representing a decrease of 0.6 percentage points as compared with 13.0% in the same period of 2021, mainly due to the implementation of sound cost control measures for the enhancement of the Group's operating efficiency.

Income tax

During the Reporting Period, the Group recorded income tax credit of approximately RMB1.8 million due to the reversal of deferred income tax of approximately RMB40.2 million.

Profit attributable to owners of the Company

During the Reporting Period, the profit attributable to owners of the parent for the period was approximately RMB8.4 million, representing a decrease of approximately 91.7% as compared with approximately RMB101.1 million for the same period in 2021.

Property and equipment

The property and equipment of the Group mainly included buildings, office equipment, electronic equipment and other assets. As of 30 June 2022, the property and equipment of the Group was approximately RMB6.4 million, representing a decrease of approximately RMB1.2 million or 15.1% as compared with approximately RMB7.6 million as at 31 December 2021.

Trade receivables

The Group's trade receivables mainly derived from its revenue from property management services and value-added services provided to non-property owners. As of 30 June 2022, the Group's trade receivables amounted to approximately RMB328.9 million, representing an increase of approximately RMB18.1 million or approximately 5.8% as compared with approximately RMB310.8 million as of 31 December 2021. The increase was in line with the revenue growth of property management services as a result of undertaking new projects and the business expansion.

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 2022, the Group's prepayments, deposits and other receivables amounted to approximately RMB101.3 million, representing an increase of approximately 79.8% as compared with approximately RMB56.4 million as at 31 December 2021. The increase was due to the growth of the Group's business scale of property management services, 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 2022, the Group's trade payables amounted to approximately RMB196.2 million, representing a decrease of approximately 2.9% from approximately RMB202.1 million as of 31 December 2021. The decrease was mainly due to the decline in the Group's business scale of value-added services to non-property owners and the decrease in goods purchases from independent third-party 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 2022, the borrowings of the Group amounted to RMB118.9 million, compared to RMB118.1 million as of 31 December 2021. From the respective drawdown dates, the Group's borrowings repayable within one year were RMB96.3 million and repayable over one year were RMB22.7 million as of 30 June 2022, while the Group's borrowings repayable within one year were RMB87.5 million and repayable over one year were RMB30.6 million as of 31 December 2021. 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 2022.

PLEDGE OF ASSETS

As of 30 June 2022, the Group's bank borrowings, in amount of RMB24,160,000 were secured by the pledge of 70% equity interest in a subsidiary, Jiangsu Sutie Property Management Co., Ltd. (31 December 2021: RMB27,180,000).

FINANCIAL RISKS

INTEREST RATE RISK

The Group's exposure to risk for changes in interest rates is primarily related 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 its transactions is mainly 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 2022, the Group's debt to asset ratio was 0.08 times, basically the same as the debt to asset ratio of 0.08 times as of 31 December 2021. Debt to asset ratio equals interest-bearing bank borrowings divided by total equity.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

CONTINGENT LIABILITIES

As of 30 June 2022, the Group had no material contingent liabilities.

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

As at 30 June 2022, the Group had no plans to make any material investments or capital assets.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES

As of 30 June 2022, the Group had approximately 4,355 employees (31 December 2021: approximately 5,034 employees). During the Reporting Period, the total staff costs were approximately RMB238.0 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").

The re-allocation of the Net Proceeds in accordance with the Company's announcement dated 19 May 2021 and the actual usage of the Net Proceeds up to 30 June 2022 are set out below:

Proposed use of Net Proceeds	Net Proceeds Re-allocated <i>RMB million</i>	Utilised Net	Unutilised	Expected time of full utilisation
		Proceeds as of 30 June 2022 <i>RMB million</i>	Net Proceeds as of 30 June 2022 <i>RMB million</i>	
Development of the Group's information management system	228.3	76.2	152.1	Before 31 December 2022
Further development of the Group's "Rong Wisdom" (榮智慧) service software	171.2	60.4	110.8	Before 31 December 2022
General business operations and working capital	114.2	114.2	–	Not applicable
Acquisition of Zhenro Commercial Management	628.0	628.0	–	Not applicable
Total	1,141.7	878.8	262.9	

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 its shareholders and to enhance corporate value and accountability system. The Company has adopted the principles and code provisions of the Corporate Governance Code (“**Corporate Governance Code**”) as contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as in force from time to time as the basis of the Company’s corporate governance practices.

Throughout the Reporting Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Corporate Governance Code and maintaining 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 2022 (30 June 2021: Nil).

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company maintained the minimum public float of 25% as required under the Listing Rules during the Reporting Period and up to the date of this announcement.

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 Corporate Governance 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 of 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 2022 have 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 2022 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, 26 August 2022

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.

* *for identification only*