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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)

DISCLOSEABLE TRANSACTION
ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 22 December 2023, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Equity, representing 100% of the registered capital of the Target Company.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company, and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

THE ACQUISITION

On 22 December 2023, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors in respect of the Acquisition.

The salient terms of the Sale and Purchase Agreement are summarized below:

SALE AND PURCHASE AGREEMENT

Date

22 December 2023

Parties

- (1) the Vendors
- (2) the Purchaser

Subject matter

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Equity, representing 100% of the registered capital of the Target Company at a cash consideration of RMB1,100,000 (equivalent to approximately HK\$1,287,000).

The principal asset of the Target Company is the rights-of-use of approximately 1,400 underground car parking spaces in Tianjin Ruijinyuan (天津瑞錦園), a residential property development which is situated at Xiqing District (西青區), Tianjin, the PRC. (the “**Carpark Assets**”).

Further information of the Target Company and the Carpark Assets is disclosed in the section headed “Information on the Target Company” in this announcement.

Consideration

The consideration payable by the Purchaser to the Vendors for the purchase of the Sale Equity shall be the initial amount of RMB1,100,000 (the “**Initial Consideration**”) (being the total assets less the total liabilities of the Target Company, as at 30 November 2023, based on the unaudited financial statements of the Target Company as at 30 November 2023), subject to final determination based on the total assets less the total liabilities of the Target Company as at the date on which the transfer of the Sale Equity has been completed (the “**Consideration**”). The final determined amount of Consideration shall not exceed 105% of the Initial Consideration.

As the Sale Equity is owned as to 51% by Ms. Wu and 49% by Ms. Lin, the Consideration will be paid as to approximately RMB561,000 or 51% to Ms. Wu and approximately RMB539,000 or 49% to Ms. Lin.

The Consideration shall be payable by the Purchaser to the Vendors upon fulfilment of the conditions precedent in the following manner:

- (i) a preliminary deposit in the amount of RMB880,000, representing approximately 80% of the Initial Consideration shall be paid to the designated bank account of the Vendors within 3 business days upon receiving a written confirmation from the Purchaser that the conditions precedent had been fulfilled or waived (where applicable); and
- (ii) the remaining amount of the Consideration, being the Consideration to be finally determined in the manner agreed under the Sale and Purchase Agreement (as disclosed under the section headed “Consideration” in this announcement) minus the preliminary deposit of RMB880,000 paid by the Purchaser, shall be paid to the designated bank account of the Vendors within 3 business days after Completion.

The basis of the Consideration (including the maximum amount thereof) was determined after arm’s length negotiations between the Vendors and the Purchaser with reference to, among others, (i) the valuation amount of the Carpark Assets as at 30 November 2023 of RMB144 million, as appraised by an independent valuer using the comparison approach, being by making reference to comparable sales transactions as available in the market; (ii) research conducted by the Company on the prices of the similar assets in close proximity under the prevailing market conditions in the PRC; (iii) the net asset value of the Target Company as at 30 November 2023, being RMB1,086,963; and (iv) the net asset value of the Target Company as at the Completion Date. The Consideration will be financed by internal resources of the Group.

The Directors (including the independent non-executive Directors) consider that the Consideration to be fair and reasonable and on normal commercial terms and are in the interests of the Company and its shareholders as a whole.

Conditions precedent

The Consideration payable by the Purchaser to the Vendors for the purchase of the Sale Equity is subject to, among others, the following conditions having been satisfied or waived by the Purchaser (if applicable) on or before 31 December 2023 (or such later date as may be agreed between the Purchaser and the Vendors):

- (i) the current legal representative, director, supervisor, and general manager of the Target Company appointed or nominated by the Vendors having signed and delivered to the Purchaser a resignation letter that is completely consistent with the form attached to the Sale and Purchase Agreement on the date of transfer;
- (ii) the Target Company having completed the industrial and commercial registration of the change of equity interests of the Target Company with the relevant industrial and commercial authority, and the Target Company having obtained a new business license;
- (iii) the amount of the Consideration having been determined in accordance with the Sale and Purchase Agreement;

- (iv) there has not been any material adverse event to the Target Company's business, assets and financial conditions from the transfer date of the Sale and Purchase Agreement; and
- (v) the Vendors not having breached any provisions in the Sale and Purchase Agreement.

If any of the conditions precedent are not satisfied (or otherwise waived) by 31 December 2023 (or such later date as may be agreed between the Purchaser and the Vendors), the Purchaser has the right to terminate the Sale and Purchase Agreement by written notice to the Vendors, and that the termination shall not affect the accrued rights and obligations of the parties.

Completion

Completion of the Sale and Purchase Agreement shall take place on the date of (i) transfer of the Sale Equity by the Vendors to the Purchaser; (ii) completion of the industrial and commercial registration of such equity transfer; and (iii) payment of the Consideration by the Purchaser to the Vendors ("**Completion Date**").

INFORMATION ON THE PARTIES

The Company and the Group

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

The Purchaser

The Purchaser is an investment holding company and is principally engaged in the provision of property management services. It is an indirect wholly-owned subsidiary of the Company.

The Vendors

The Vendors are two individuals who are PRC nationals. To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, each of the Vendors, namely Ms. Wu and Ms. Lin is an Independent Third Party.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is engaged in the provision of car parking space sales agency services, enterprise management consulting, property management, real estate agency, real estate consulting, leasing services, marketing planning, and auto parts retail, etc. As at the date of this announcement, the Target Company holds the rights-of-use of the Carpark Assets. As at the date of this announcement, the Target Company is owned as to 51% by Ms. Wu and 49% by Ms. Lin.

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2022 extracted from the unaudited financial statements of the Target Company, and the unaudited financial information of the Target Company for the eleven months ended 30 November 2023, which are prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended 31 December		For the eleven months ended
	2021	2022	30 November
	(unaudited)	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before tax	Not applicable*	(3)	92
Net profit/(loss) after tax	Not applicable*	(3)	90

* *The Target Company was established on 4 August 2022 and therefore no relevant information is available for 2021.*

The net asset value of the Target Company as at 30 November 2023 was approximately RMB1,086,963. As at 30 November 2023, the liabilities of the Target Company included certain accounts payables of approximately RMB143 million in aggregate, owed to Independent Third Parties who provided advances to the Target Company to support the development of its business (including the holding and sales of the Carpark Assets) and which were incurred in the ordinary course of business. The accounts payables are unsecured, interest free and due within 2 years from the Completion Date.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services. Its 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.

Taking into account the above and the current conditions of the property market in the PRC, the Directors have always been proactive in seeking opportunities to diversify the scope of business of the Group. As the Board considered that the Carpark Assets are situated in a property project that is under the management of the Group, the Group is well positioned to take advantage of its proximity to the potential buyers of the Carpark Assets. It can utilize its existing resources and network to promote the sales of the Carpark Assets to potential buyers who are tenants or owners of the properties in a cost-efficient manner. By doing so, the Group can further expand and diversify the Group's business, broaden the Group's revenue base and enhance the Group's profitability to bring better returns to its shareholders. The Acquisition represents an investment opportunity for the Group to leverage on its resources in car park management and tap into the car parking agency sales market share and increase its brand influence in the Tianjin market.

In light of the above, the Directors (including the independent non-executive Directors) considered that the terms of the Sale and Purchase Agreement are entered into on normal commercial terms in the ordinary course of the Group, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company, and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Completion is subject to fulfillment of the conditions precedent as set out in the section headed "Conditions precedent" of this announcement. As the Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"Acquisition"	the acquisition of 100% equity interest in the Target Company by the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement
"Board"	the board of Directors
"Company"	Zhenro Services Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 6958)
"Completion"	completion of the Acquisition
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning as ascribed to it under the Listing Rules

“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries, and their respective connected persons, ultimate beneficial owner(s) or associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ms. Lin”	Ms. Lin Xia (林霞)
“Ms. Wu”	Ms. Wu Na (吳娜)
“PRC”	the People’s Republic of China
“Purchaser”	Zhenro Property Services Co., Ltd.* (正榮物業服務有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 22 December 2023 between the Purchaser and the Vendors with respect to the Acquisition
“Sale Equity”	100% of the equity interest in the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules
“Target Company”	Suzhou Xinqirui E-Commerce Co., Ltd.* (蘇州鑫琪瑞電子商務有限公司), a company established under the laws of the PRC with limited liability and owned as to 51% by Ms. Wu and 49% by Ms. Lin as at the date of this announcement
“Vendors”	Ms. Wu and Ms. Lin, collectively
“%”	per cent

For illustration purposes, amounts denominated in RMB in this announcement have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.17.

* For identification purpose only

By order of the Board
Zhenro Services Group Limited
Liu Weiliang
Chairman of the Board

Hong Kong, 22 December 2023

As at the date of this announcement, Mr. Deng Li and Mr. Wang Wei are the executive Directors of the Company; Mr. Liu Weiliang is the non-executive Director of the Company; and Mr. Ma Haiyue, Mr. Au Yeung Po Fung and Mr. Zhang Wei are the independent non-executive Directors of the Company.