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**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 2020**

**INTERIM RESULTS AND OPERATIONAL HIGHLIGHTS**

1. During the Reporting Period, the revenue of the Group was approximately RMB443.7 million, representing an increase of approximately 50.1% as compared with the revenue of RMB295.6 million in the same period of 2019.
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 RMB225.4 million, accounting for 50.8% of the overall revenue, representing a year-on-year increase of approximately 37.2% compared with RMB164.3 million in the same period of 2019; (ii) revenue from value-added services to non-property owners reached RMB157.8 million, accounting for 35.6% of the overall revenue, representing a year-on-year increase of approximately 90.7% compared to RMB82.8 million in the same period of 2019; and (iii) revenue from community value-added services reached RMB60.4 million, accounting for 13.6% of the overall revenue, representing a year-on-year increase of approximately 24.6% compared to RMB48.5 million in the same period of 2019.
3. During the Reporting Period, the gross profit of the Group was RMB155.3 million for the six months ended 30 June 2020, representing an increase of 75.6% from RMB88.4 million in the same period of 2019. During the Reporting Period, the gross profit margin of the Group was 35.0%, representing an increase of 5.1 percentage points compared to 29.9% in the same period of 2019.
4. The profit and total comprehensive income of the Group for the period was approximately RMB60.7 million, representing an increase of 102.7% from RMB29.9 million in the same period of 2019. The profit and total comprehensive income attributable to owners of the parent for the period was approximately RMB59.6 million, representing an increase of approximately 106.8% from approximately RMB28.8 million in the same period of 2019; the net profit margin was approximately 13.7%, representing an increase of 3.6 percentage points compared with the same period in 2019.
5. As at 30 June 2020, the contracted GFA of the Group's property management services was approximately 43.0 million square meters, representing an increase of 16.2% from approximately 37.0 million square meters as at 31 December 2019.

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 2020 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2019 as follows:

## **INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2020*

|                                                                                 |              | <b>For the six months ended 30 June</b> |                    |
|---------------------------------------------------------------------------------|--------------|-----------------------------------------|--------------------|
|                                                                                 |              | <b>2020</b>                             | <b>2019</b>        |
|                                                                                 | <i>Notes</i> | <b>RMB’000</b>                          | <b>RMB’000</b>     |
|                                                                                 |              | <b>(Unaudited)</b>                      | <b>(Unaudited)</b> |
| <b>REVENUE</b>                                                                  | <b>5</b>     | <b>443,668</b>                          | 295,573            |
| Cost of sales                                                                   |              | <u>(288,372)</u>                        | <u>(207,144)</u>   |
| <b>GROSS PROFIT</b>                                                             |              | <b>155,296</b>                          | 88,429             |
| Other income and gains                                                          | <b>5</b>     | <b>3,499</b>                            | 2,568              |
| Administrative expenses                                                         |              | <b>(63,867)</b>                         | (43,784)           |
| Impairment losses on financial assets, net                                      |              | <b>(6,176)</b>                          | (5,603)            |
| Finance costs, net                                                              |              | <b>(937)</b>                            | (1,298)            |
| Finance expense                                                                 |              | <b>(937)</b>                            | (36,687)           |
| Finance income                                                                  |              | <b>–</b>                                | 35,389             |
| Share of loss of an associate                                                   |              | <u><b>(89)</b></u>                      | <u>(111)</u>       |
| <b>PROFIT BEFORE TAX</b>                                                        | <b>6</b>     | <b>87,726</b>                           | 40,201             |
| Income tax expenses                                                             | <b>7</b>     | <u><b>(27,069)</b></u>                  | <u>(10,271)</u>    |
| <b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                     |              | <u><b>60,657</b></u>                    | <u>29,930</u>      |
| Attributable to:                                                                |              |                                         |                    |
| Owners of the parent                                                            |              | <b>59,583</b>                           | 28,806             |
| Non-controlling interests                                                       |              | <u><b>1,074</b></u>                     | <u>1,124</u>       |
|                                                                                 |              | <u><b>60,657</b></u>                    | <u>29,930</u>      |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b> |              |                                         |                    |
| (expressed in RMB per share)                                                    |              |                                         |                    |
| – Basic and diluted                                                             | <b>9</b>     | <u><b>0.08</b></u>                      | <u>0.04</u>        |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

|                                                        | Notes | 30 June<br>2020<br><i>RMB'000</i><br>(Unaudited) | 31 December<br>2019<br><i>RMB'000</i><br>(Audited) |
|--------------------------------------------------------|-------|--------------------------------------------------|----------------------------------------------------|
| <b>NON-CURRENT ASSETS</b>                              |       |                                                  |                                                    |
| Property and equipment                                 |       | 7,951                                            | 7,604                                              |
| Investment properties                                  |       | 21,500                                           | 21,500                                             |
| Right-of-use assets                                    |       | 6,779                                            | 8,173                                              |
| Goodwill                                               |       | 59,537                                           | 59,537                                             |
| Other intangible assets                                |       | 31,436                                           | 33,046                                             |
| Investments in an associate                            |       | 60                                               | 149                                                |
| Deferred tax assets                                    |       | 10,002                                           | 9,903                                              |
| <b>Total non-current assets</b>                        |       | <b>137,265</b>                                   | <b>139,912</b>                                     |
| <b>CURRENT ASSETS</b>                                  |       |                                                  |                                                    |
| Trade receivables                                      | 10    | 148,128                                          | 88,265                                             |
| Due from related companies                             |       | 110,871                                          | 50,848                                             |
| Prepayments, deposits and other receivables            |       | 45,562                                           | 31,639                                             |
| Cash and cash equivalents                              |       | 197,175                                          | 218,442                                            |
| <b>Total current assets</b>                            |       | <b>501,736</b>                                   | <b>389,194</b>                                     |
| <b>CURRENT LIABILITIES</b>                             |       |                                                  |                                                    |
| Trade payables                                         | 11    | 72,065                                           | 48,461                                             |
| Other payables and accruals                            | 12    | 314,225                                          | 262,261                                            |
| Due to related companies                               |       | 1,102                                            | 1,520                                              |
| Interest-bearing bank borrowings                       |       | 3,500                                            | 3,000                                              |
| Lease liabilities                                      |       | 3,991                                            | 4,368                                              |
| Tax payables                                           |       | 24,406                                           | 40,517                                             |
| <b>Total current liabilities</b>                       |       | <b>419,289</b>                                   | <b>360,127</b>                                     |
| <b>NET CURRENT ASSETS</b>                              |       | <b>82,447</b>                                    | <b>29,067</b>                                      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>           |       | <b>219,712</b>                                   | <b>168,979</b>                                     |
| <b>NON-CURRENT LIABILITIES</b>                         |       |                                                  |                                                    |
| Interest-bearing bank borrowings                       |       | 15,625                                           | 17,375                                             |
| Lease liabilities                                      |       | 5,438                                            | 6,300                                              |
| Other payables                                         |       | –                                                | 7,000                                              |
| Deferred tax liabilities                               |       | 9,932                                            | 10,244                                             |
| <b>Total non-current liabilities</b>                   |       | <b>30,995</b>                                    | <b>40,919</b>                                      |
| <b>NET ASSETS</b>                                      |       | <b>188,717</b>                                   | <b>128,060</b>                                     |
| <b>EQUITY ATTRIBUTABLE TO OWNERS<br/>OF THE PARENT</b> |       |                                                  |                                                    |
| Share capital                                          | 13    | 349                                              | 349                                                |
| Reserves                                               |       | 170,736                                          | 111,153                                            |
|                                                        |       | 171,085                                          | 111,502                                            |
| Non-controlling interests                              |       | 17,632                                           | 16,558                                             |
| <b>TOTAL EQUITY</b>                                    |       | <b>188,717</b>                                   | <b>128,060</b>                                     |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 1. CORPORATE INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 17 December 2018. The registered office address of the Company is Cayman Corporate Centre, 27 Hospital Road, 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 shareholders of the Group are Mr. Ou Zongrong, WeiZheng Holdings Limited, WeiYao Holdings Limited and WeiTian Holdings Limited.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2020 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 2019.

## 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 2019, 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>Definition of a Business</i>                          |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | <i>Interest Rate Benchmark Reform</i>                    |
| Amendment to IFRS 16                    | <i>COVID-19-Related Rent Concessions</i> (early adopted) |
| Amendments to IAS 1 and IAS 8           | <i>Definition of Material</i>                            |

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Group's interim condensed consolidated financial information.
- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. 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 services, value-added services to non-property owners and community value-added services. 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 Reporting Period, the Group operated within one geographical location because all of its revenue was generated in the Mainland China and all of its long-term assets/capital expenditure were located/incurred in the Mainland China. Accordingly, no further geographical information is presented.

##### Information about major customers

During the Reporting Period, revenue from sales to Zhenro Properties Group Limited and its subsidiaries ("Zhenro Properties Group") contributed 34.7% (during the same period of 2019: 20.7%) of the Group's revenue, respectively. 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 Reporting Period.

#### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

|                                              | For the six months ended 30 June |                |
|----------------------------------------------|----------------------------------|----------------|
|                                              | 2020                             | 2019           |
|                                              | <i>RMB'000</i>                   | <i>RMB'000</i> |
|                                              | (Unaudited)                      | (Unaudited)    |
| <i>Revenue from contracts with customers</i> |                                  |                |
| Property management services                 | 225,446                          | 164,346        |
| Value-added services to non-property owners  | 157,839                          | 82,762         |
| Community value-added services               | 60,383                           | 48,465         |
|                                              | <u>443,668</u>                   | <u>295,573</u> |

## Revenue from contracts with customers

### (i) Disaggregated revenue information

| Segments                                            | Property management services<br>RMB'000 | Value-added services to non-property owners<br>RMB'000 | Community value-added services<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------------------------|-----------------------------------------|--------------------------------------------------------|-------------------------------------------|------------------|
| <b>For the six months ended 30 June 2020</b>        |                                         |                                                        |                                           |                  |
| Type of goods or services                           |                                         |                                                        |                                           |                  |
| Rendering of services                               | 225,446                                 | 157,839                                                | 60,383                                    | 443,668          |
| Total revenue from contracts with customers         | <u>225,446</u>                          | <u>157,839</u>                                         | <u>60,383</u>                             | <u>443,668</u>   |
| <b>Geographical market</b>                          |                                         |                                                        |                                           |                  |
| Mainland China                                      | <u>225,446</u>                          | <u>157,839</u>                                         | <u>60,383</u>                             | <u>443,668</u>   |
| <b>Timing of revenue recognition</b>                |                                         |                                                        |                                           |                  |
| 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         | <u>225,446</u>                          | <u>157,839</u>                                         | <u>60,383</u>                             | <u>443,668</u>   |
| <b>For the six months ended 30 June 2019</b>        |                                         |                                                        |                                           |                  |
| Type of goods or services                           |                                         |                                                        |                                           |                  |
| Rendering of services                               | 164,346                                 | 82,762                                                 | 48,465                                    | 295,573          |
| Total revenue from contracts with customers         | <u>164,346</u>                          | <u>82,762</u>                                          | <u>48,465</u>                             | <u>295,573</u>   |
| <b>Geographical market</b>                          |                                         |                                                        |                                           |                  |
| Mainland China                                      | <u>164,346</u>                          | <u>82,762</u>                                          | <u>48,465</u>                             | <u>295,573</u>   |
| <b>Timing of revenue recognition</b>                |                                         |                                                        |                                           |                  |
| Revenue recognised over time                        | 164,346                                 | 71,307                                                 | 15,789                                    | 251,442          |
| Revenue recognised at a point in time               | –                                       | 11,455                                                 | 32,676                                    | 44,131           |
| Total revenue from contracts with customers         | <u>164,346</u>                          | <u>82,762</u>                                          | <u>48,465</u>                             | <u>295,573</u>   |
| <b>For the six months ended 30 June</b>             |                                         |                                                        |                                           |                  |
|                                                     | <b>2020</b>                             | <b>2019</b>                                            |                                           |                  |
|                                                     | <b>RMB'000</b>                          | <b>RMB'000</b>                                         |                                           |                  |
|                                                     | <b>(Unaudited)</b>                      | <b>(Unaudited)</b>                                     |                                           |                  |
| <b>Other income</b>                                 |                                         |                                                        |                                           |                  |
| Bank interest income                                | 331                                     | 18                                                     |                                           |                  |
| Government grants                                   | 868                                     | 107                                                    |                                           |                  |
| Rental income                                       | 1,372                                   | 1,261                                                  |                                           |                  |
| Others                                              | 914                                     | 1,182                                                  |                                           |                  |
|                                                     | <u>3,485</u>                            | <u>2,568</u>                                           |                                           |                  |
| <b>Gains</b>                                        |                                         |                                                        |                                           |                  |
| Gain on disposal of items of property and equipment | 14                                      | –                                                      |                                           |                  |
|                                                     | <u>3,499</u>                            | <u>2,568</u>                                           |                                           |                  |

## 6. PROFIT BEFORE TAX

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

|                                                                                     | For the six months ended 30 June |                |
|-------------------------------------------------------------------------------------|----------------------------------|----------------|
|                                                                                     | 2020                             | 2019           |
|                                                                                     | <i>RMB'000</i>                   | <i>RMB'000</i> |
|                                                                                     | (Unaudited)                      | (Unaudited)    |
| Depreciation of property and equipment                                              | 1,231                            | 933            |
| Depreciation of right-of-use assets                                                 | 1,394                            | 1,313          |
| Amortisation of other intangible assets                                             | 1,994                            | 1,880          |
| Lease payments not included in the measurement of lease liabilities                 | 1,641                            | 1,648          |
| Auditor's remuneration                                                              | 1,490                            | 627            |
| Impairment of financial assets, net                                                 |                                  |                |
| Impairment of trade receivables, net                                                | 5,457                            | 5,198          |
| Impairment of other receivables, net                                                | 719                              | 405            |
| Employee benefit expense (including directors' and chief executive's remuneration): |                                  |                |
| Wages, salaries and other allowances                                                | 184,574                          | 142,815        |
| Pension scheme contributions and social welfare                                     | 14,158                           | 18,566         |
|                                                                                     | <u>198,732</u>                   | <u>161,381</u> |

## 7. INCOME TAX

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 2020 (six months ended 30 June 2019: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions in which the Group operates. The Group was not liable for income tax in Hong Kong as the Group did not have any assessable income arising in Hong Kong for the six months ended 30 June 2020 and 2019.

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

|                                  | For the six months ended 30 June |                |
|----------------------------------|----------------------------------|----------------|
|                                  | 2020                             | 2019           |
|                                  | <i>RMB'000</i>                   | <i>RMB'000</i> |
|                                  | (Unaudited)                      | (Unaudited)    |
| <b>Current – Mainland China:</b> |                                  |                |
| Charge for the period            | 27,480                           | 11,566         |
| Deferred tax                     | (411)                            | (1,295)        |
| Total tax charge for the period  | <u>27,069</u>                    | <u>10,271</u>  |



## 8. DIVIDENDS

The directors resolved not to declare any interim dividend for the six months ended 30 June 2020 and 2019.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 750,000,000 (as of 30 June 2019: 725,000,000 shares) issued during the period, and adjustments were made to the assumption that 499,000,000 ordinary shares of the Company were issued based on the Share Split (“**Share Split**”) (note 13) and 250,000,000 ordinary shares of the Company issued under the capitalisation issue (“**Capitalisation Issue**”) occurred after the Reporting Period, as if these additional shares issued under the Share Split and capitalisation issue had been completed throughout the six months ended 30 June 2020 and 2019.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

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

|                                                                                                                            | <b>For the six months ended 30 June</b> |                    |
|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|--------------------|
|                                                                                                                            | <b>2020</b>                             | <b>2019</b>        |
|                                                                                                                            | <b>RMB'000</b>                          | <b>RMB'000</b>     |
|                                                                                                                            | <b>(Unaudited)</b>                      | <b>(Unaudited)</b> |
| <b>Earnings</b>                                                                                                            |                                         |                    |
| Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations | <b>59,583</b>                           | <b>28,806</b>      |
| <b>Shares</b>                                                                                                              |                                         |                    |
| Issue of shares on 17 December 2018                                                                                        | <b>950,000</b>                          | 950,000            |
| Issue of shares on 7 November 2019                                                                                         | <b>50,000</b>                           | —                  |
| Effect of Share Split on 15 June 2020 ( <i>note 13</i> )                                                                   | <b>499,000,000</b>                      | 474,050,000        |
| Effect of Capitalisation Issue on 10 July 2020                                                                             | <b>250,000,000</b>                      | 250,000,000        |
| Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation                    | <b>750,000,000</b>                      | <b>725,000,000</b> |

## 10. 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:

|               | <b>30 June</b>     | <b>31 December</b> |
|---------------|--------------------|--------------------|
|               | <b>2020</b>        | <b>2019</b>        |
|               | <b>RMB'000</b>     | <b>RMB'000</b>     |
|               | <b>(Unaudited)</b> | <b>(Audited)</b>   |
| Within 1 year | <b>125,231</b>     | 71,261             |
| 1 to 2 years  | <b>19,855</b>      | 16,030             |
| 2 to 3 years  | <b>3,042</b>       | 974                |
|               | <b>148,128</b>     | <b>88,265</b>      |



## 11. 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<br>2020<br><i>RMB'000</i><br>(Unaudited) | 31 December<br>2019<br><i>RMB'000</i><br>(Audited) |
|---------------|--------------------------------------------------|----------------------------------------------------|
| Within 1 year | 71,395                                           | 47,449                                             |
| Over 1 year   | 670                                              | 1,012                                              |
|               | <u>72,065</u>                                    | <u>48,461</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.

## 12. OTHER PAYABLES AND ACCRUALS

|                                                        | 30 June<br>2020<br><i>RMB'000</i><br>(Unaudited) | 31 December<br>2019<br><i>RMB'000</i><br>(Audited) |
|--------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| <b><i>Current portion</i></b>                          |                                                  |                                                    |
| Contract liabilities                                   | 131,739                                          | 103,997                                            |
| Deposits received                                      | 12,720                                           | 12,001                                             |
| Consideration payables for acquisition of a subsidiary | 9,800                                            | 14,000                                             |
| Receipts on behalf of community residents              | 57,117                                           | 39,578                                             |
| Payroll and welfare payable                            | 73,467                                           | 70,865                                             |
| Other tax payables                                     | 6,480                                            | 6,731                                              |
| Others                                                 | 22,902                                           | 15,089                                             |
|                                                        | <u>314,225</u>                                   | <u>262,261</u>                                     |
| <b><i>Non-current portion</i></b>                      |                                                  |                                                    |
| Consideration payables for acquisition of a subsidiary | –                                                | 7,000                                              |
|                                                        | <u>314,225</u>                                   | <u>269,261</u>                                     |

## 13. SHARE CAPITAL

|                                                                   | 30 June<br>2020<br>(Unaudited) | 31 December<br>2019<br>(Audited) |
|-------------------------------------------------------------------|--------------------------------|----------------------------------|
| Number of ordinary shares:                                        |                                |                                  |
| Authorised:                                                       |                                |                                  |
| Ordinary shares of US\$0.002 each<br>(31 December 2019: US\$1.00) | <u>20,000,000,000</u>          | <u>1,000,000</u>                 |
| Issued:                                                           |                                |                                  |
| Ordinary shares of US\$0.002 each<br>(31 December 2019: US\$1.00) | <u>500,000,000</u>             | <u>1,000,000</u>                 |

|                                                                    | <b>30 June<br/>2020<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2019<br>RMB'000<br>(Audited) |
|--------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------|
| Amounts:                                                           |                                                     |                                             |
| Authorised:                                                        |                                                     |                                             |
| Ordinary shares of US\$ 0.002 each<br>(31 December 2019: US\$1.00) | <u><b>283,503</b></u>                               | <u>6,632</u>                                |
| Issued and fully paid:                                             |                                                     |                                             |
| Ordinary shares of US\$ 0.002 each<br>(31 December 2019: US\$1.00) | <u><b>349</b></u>                                   | <u>349</u>                                  |

Pursuant to the written resolutions of the shareholders of the Company passed on 15 June 2020, each of the issued and unissued shares of the Company of US\$1 each was subdivided into 500 shares of US\$0.002 each under the Share Split. The authorised share capital was increased from US\$1,000,000 divided into 1,000,000 shares of US\$1.00 each to US\$1,000,000 divided into 500,000,000 shares of US\$0.002 each. Upon completion of the sub-division, the authorised share capital of the Company was further increased from US\$1,000,000 divided into 500,000,000 shares to US\$40,000,000 divided into 20,000,000,000 shares by the creation of an additional 19,500,000,000 shares.

#### 14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, amounts with related companies, trade receivables, lease liabilities, financial assets in prepayments and other receivables, trade payables, financial liabilities in other payables and accruals, 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.

#### 15. EVENTS AFTER THE REPORTING PERIOD

Pursuant to a written resolution of the shareholders of the Company passed on 15 June 2020, a total of 250,000,000 shares of US\$0.002 each were allotted and issued at par value to the shareholders whose names were on the register of members of the Company immediately prior to the Global Offering ("Global Offering") and such shares were allotted and issued by way of capitalisation of US\$500,000 under the Capitalization Issue standing to the credit of the Company's share premium account as a result of the Global Offering.

On the Listing Date, 250,000,000 new shares were issued at a price of HK\$4.55 per share in connection with the Company's initial public offering on the Stock Exchange.

On 28 July 2020, the over-allotment option was fully exercised and the Company allotted and issued 37,500,000 ordinary shares at a subscription price of HK\$4.55 per share pursuant to the exercise of the over-allotment option.

#### 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 21 August 2020.

## 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 2020.

### RESULTS REVIEW

During the Reporting Period, the revenue of the Group increased by 50.1% to RMB443.7 million compared with RMB295.6 million for the corresponding period last year; the profit and total comprehensive income for the period was RMB60.7 million, representing an increase of 102.7% compared with RMB29.9 million for the corresponding period last year; the profit and total comprehensive income for the Reporting Period attributable to owners of the parent was RMB59.6 million, representing an increase of 106.8% compared with RMB28.8 million for the corresponding period last year.

The Board resolved not to declare interim dividends for the six months ended 30 June 2020.

### BUSINESS REVIEW

In the first half of 2020, the Group focused on high-quality growth and services, and carried out continuous improvement in its regional arrangements, persistent deep engagement in cities, optimisation of its project portfolio, enrichment of its project forms, and continuous consolidation of its internal management strength, enhancement of the operational efficiency, and upgrade of the ability of employees. According to China Index Academy, the Group was ranked 19th among the 2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業第19名) with further improvement of its overall strength.

#### **Persistence in high-quality scale expansion and achievement of organic growth in multiple business forms**

In the first half of 2020, the Group continuously expanded its business scale and deepened its arrangements in four key areas of China, namely the Yangtze River Delta Region, the Western Straits Region, the Midwest Region, and the Bohai Rim Region. It continued to cultivate in key first- and second-tier cities such as Shanghai and Nanjing in order to stabilise and improve market position. At the same time, new cities with more potential such as Xuancheng and Changde will expand the number of cities with business coverage to 37 and the number of projects under management expanded to 165.

During the Reporting Period, the contracted gross floor area (“GFA”) of the Group reached 43.0 million sq.m., representing a net increase of 6.0 million sq.m. as compared to 31 December 2019, and the total GFA under management reached approximately 27.8 million sq.m, representing a net increase of approximately 4.8 million sq.m. as compared to 31 December 2019.

In terms of project portfolio, in addition to the continuous expansion in the field of residential properties as well as the field of non-residential properties including government and public facilities, office buildings, industrial parks and schools, the Group achieved the first breakthrough to expand to holiday resort in the first half of 2020, thus increasingly diversified its project portfolio and optimised the structure.

## **Property management services as the cornerstone, and continuous development of value-added services**

The Group always adheres to the service concept of “providing heartfelt and personalized services with a sense of companionship” to provide more property owners with high-quality and high-level property management services. In the first half of 2020, the Group successively launched “Progressive Actions”, “Full Cycle Satisfaction Improvement Plan”, “Small Project Hardware Function Configuration and Operation Standardization” and “Star Housekeeper Creation” and other property management service enhancements. The special work strives to obtain a greater degree of trust and satisfaction from the property owners with refined service standards and professional performance.

During the COVID-19 epidemic in the first half of 2020, the Group also actively interacted and connected with property owners to improve service quality in multiple dimensions such as emergency response capabilities, material deployment capabilities, technology application capabilities, business innovation capabilities, and increase brand value and customer loyalty.

During the Reporting Period, there were significant increases in revenues and gross profits from value-added services to non-property owners and community value-added services. The value-added services to non-property owner achieved a revenue of RMB157.8 million, a year-on-year increase of 90.7%, and community value-added services achieved revenue of RMB60.4 million, a year-on-year increase of 24.6%.

## **Promotion of digital upgrade and comprehensive improvement in service experience and operational efficiency**

In the industrial Internet era, traditional property companies are accelerating their digital transformation. They use standardised operating procedures and digital business operations to enhance customer experience, improve operational efficiency, and generate sustainable profits.

In the first half of 2020, the Group continued to invest in digital transformation. For example, more than ten special parking lots were improved and upgraded with digital vehicle barriers, and equipment management, maintenance, and monitoring were consolidated to effectively reduce manual occupation and improve operational efficiency.

Benefiting from the measures such as digital upgrades, process standardisation, and cost control capabilities, during the Reporting Period, the Group’s cost of sales as a percentage of total revenue was 65.0%, representing a decrease of 5.1 percentage points compared with 70.1% in the same period of 2019.

## **OUTLOOK**

Looking forward to the “post-COVID-19 epidemic” era, the economic recovery, and the gradual formation of “economic internal circulation”, there will certainly be room for development of the property industry. However, there will be increased industry competition, with higher industry concentration and the increasingly obvious trend of “the stronger always the winner”.

With broad market opportunities, the Group will, as always, adhere to the “dual-property type business” and diversified project portfolio, and be deeply engaged in the four major hotspots, and to expand the business operations to achieve economies of scale, so as to achieve a continuous improvement in its position in the industry and its brand value. To this end, the Group will continue to maintain its close cooperation with Zhenro Properties Group, while strengthen cooperation with third-party property developers, through multi-channel market expansion and strategic investment mergers and acquisition of property management companies and upstream and downstream professional companies, so as to enable diversification of the Group’s property management portfolio and value-added services in the community, while expanding the market share of deployed areas and entering new markets with growth potential. Balanced development in terms of scale, quality and profit has always been the principle followed by the Group. Subject to continuous improvement in the service quality and the satisfaction of the property owners, the Group will also continuously strengthen its innovation capability, and secure more sources of profit growth by providing customized value-added services that meet customers’ preferences and needs, including exploring community retail services, elderly care and community health services with local characteristics in eligible residential projects, and providing services such as plant rental services, lunch catering and food distribution in non-residential projects.

With the increasing diversification of services and the continuous subdivision of specialties, the property service industry is changing from a manpower-intensive industry to a knowledge-intensive industry, in which talents become the driving force for the continuous growth of enterprises. Under the organizational orientation of “optimization of headquarter, enhancement of regional companies, and creation of high-quality projects”, the Group will continuously promote talent upgrade, and strengthen the development of three core capabilities, namely teamwork, operational efficiency and innovation capability. It will make unremitting efforts to become one of the top ten property management service providers in China in the medium and long term.

## **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 with a sense of companionship (‘服務為你，陪伴由心’) ” and achieve the high growth and high quality of the Company’s development, and continue to create value for our customers, shareholders and investors.

**Zhenro Services Group Limited**  
**Huang Xianzhi**  
*Chairman*

## 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 and (iii) community value-added services, forming an integrated service offering 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 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, (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. 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.

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.

## 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 2020, the Group's contracted GFA amounted to approximately 43.0 million sq.m., and the number of contracted projects totalled 258, representing an increase of 16.2% and 11.2%, respectively, compared with those as of 31 December 2019. For the six months end 30 June 2020, GFA under management by the Group generating revenue reached approximately 27.8 million sq.m., and the number of projects under management totalled 165, representing an increase of approximately 21.1% and 10.7%, respectively, compared with those as of 31 December 2019.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the six months ended 30 June 2020 and 2019 respectively:

|                                   | <b>For the six months end<br/>30 June 2020</b> |                                                   | <b>For the six months end<br/>30 June 2019</b> |                                                   |
|-----------------------------------|------------------------------------------------|---------------------------------------------------|------------------------------------------------|---------------------------------------------------|
|                                   | <b>Contracted<br/>GFA<br/>( '000 sq.m.)</b>    | <b>GFA under<br/>management<br/>( '000 sq.m.)</b> | <b>Contracted<br/>GFA<br/>( '000 sq.m.)</b>    | <b>GFA under<br/>management<br/>( '000 sq.m.)</b> |
| As of the beginning of the period | <b>36,998</b>                                  | <b>22,938</b>                                     | 24,871                                         | 12,595                                            |
| New engagements <sup>(1)</sup>    | <b>6,272</b>                                   | <b>5,091</b>                                      | 8,162                                          | 7,845                                             |
| Terminations <sup>(2)</sup>       | <b>281</b>                                     | <b>257</b>                                        | 500                                            | 178                                               |
| As of the end of the period       | <b><u>42,989</u></b>                           | <b><u>27,772</u></b>                              | <b><u>32,533</u></b>                           | <b><u>20,262</u></b>                              |

#### Notes:

- (1) With respect to residential communities the Group manage, new engagements primarily include 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 include 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 optimize its property management portfolio.

### Geographic Presence of the Group

As at 30 June 2020, the Group has expanded its geographic presence to 37 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 2020 and 2019 respectively:

|                                           | As of 30 June or for the six months ended 30 June |                    |              |                   |                    |              |
|-------------------------------------------|---------------------------------------------------|--------------------|--------------|-------------------|--------------------|--------------|
|                                           | 2020                                              |                    |              | 2019              |                    |              |
|                                           | GFA<br>'000 sq.m.                                 | Revenue<br>RMB'000 | %            | GFA<br>'000 sq.m. | Revenue<br>RMB'000 | %            |
| Yangtze River Delta Region <sup>(1)</sup> | 12,135                                            | 128,788            | 57.1         | 7,633             | 94,458             | 57.5         |
| Bohai Rim Region <sup>(2)</sup>           | 715                                               | 13,232             | 5.9          | 323               | 4,334              | 2.6          |
| Midwest Region <sup>(3)</sup>             | 4,297                                             | 30,772             | 13.6         | 3,821             | 30,039             | 18.3         |
| Western Straits Region <sup>(4)</sup>     | 10,625                                            | 52,654             | 23.4         | 8,485             | 35,515             | 21.6         |
| <b>Total</b>                              | <b>27,772</b>                                     | <b>225,446</b>     | <b>100.0</b> | <b>20,262</b>     | <b>164,346</b>     | <b>100.0</b> |

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 and Xuancheng.
- (2) Cities in which the Group has property management projects in the Bohai Rim Region include Tianjin, Jinan, Xuzhou, Huai'an, Luoyang, Suqian 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, Changde and Chengdu.
- (4) Cities in which the Group has property management projects in the Western Straits Region include Fuzhou, Putian, Pingtan, Nanping, Quanzhou, Sanming and Zhangzhou.

### 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 customized to meet specific needs of its customers on an as-needed basis, (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 2020, revenue from value-added services to non-property owners increased significantly by 90.7% to approximately RMB157.8 million compared to approximately RMB82.8 million in the same period of 2019, mainly due to the substantial increase in the number of projects developed by Zhenro Group and the partner property developers, which in turn resulted in an increasingly in demand for services such as sales assistance services, additional tailored services and preliminary planning and design consultancy services. In the first half of 2020, the revenue from value-added services to non-property owners accounted for 35.6% of the total revenue.

The table below sets forth a breakdown of the Group's revenue generated from its value-added services to non-property owners for the period indicated:

|                                                      | Six months ended 30 June |              |                |              |
|------------------------------------------------------|--------------------------|--------------|----------------|--------------|
|                                                      | 2020                     |              | 2019           |              |
|                                                      | <i>RMB'000</i>           | <i>%</i>     | <i>RMB'000</i> | <i>%</i>     |
| Sales assistance services                            | 113,753                  | 72.1         | 62,023         | 74.9         |
| Additional tailored services                         | 18,466                   | 11.7         | 9,059          | 10.9         |
| Housing repair services                              | 11,709                   | 7.4          | 5,846          | 7.1          |
| Preliminary planning and design consultancy services | 10,464                   | 6.6          | 3,774          | 4.6          |
| Pre-delivery inspection services                     | 3,447                    | 2.2          | 2,060          | 2.5          |
| <b>Total</b>                                         | <b>157,839</b>           | <b>100.0</b> | <b>82,762</b>  | <b>100.0</b> |

### Community Value-Added Services

The Group provides the 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 2020, the revenue from community value-added services increased by 24.6% to approximately RMB60.4 million compared to approximately RMB48.5 million in the same period of 2019, mainly due to the expansion of GFA under management, the substantial increase in the number of service users and the continuous increase in the penetration rate of diversified products. In the first half of 2020, revenue from community value-added services accounted for 13.6% of total revenue.

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 2020 and 2019:

|                                                                           | Six months ended 30 June |              |                |              |
|---------------------------------------------------------------------------|--------------------------|--------------|----------------|--------------|
|                                                                           | 2020                     |              | 2019           |              |
|                                                                           | <i>RMB'000</i>           | <i>%</i>     | <i>RMB'000</i> | <i>%</i>     |
| Home-living services <sup>(1)</sup>                                       | 24,431                   | 40.5         | 13,676         | 28.2         |
| Car park management, leasing assistance and other services <sup>(2)</sup> | 30,012                   | 49.7         | 30,908         | 63.8         |
| Common area value-added services <sup>(3)</sup>                           | 5,940                    | 9.8          | 3,881          | 8.0          |
| <b>Total</b>                                                              | <b>60,383</b>            | <b>100.0</b> | <b>48,465</b>  | <b>100.0</b> |

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 RMB443.7 million, representing an increase of approximately 50.1% compared with RMB295.6 million in the same period of 2019.

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

|                                                | Six months ended 30 June            |                               |                                     |                               |                     |
|------------------------------------------------|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------|---------------------|
|                                                | 2020<br><i>RMB'000</i><br>Unaudited | Percentage<br>of revenue<br>% | 2019<br><i>RMB'000</i><br>Unaudited | Percentage<br>of revenue<br>% | Growth<br>rate<br>% |
| Property management services                   | 225,446                             | 50.8                          | 164,346                             | 55.6                          | 37.2                |
| Value-added services to<br>non-property owners | 157,839                             | 35.6                          | 82,762                              | 28.0                          | 90.7                |
| Community value-added services                 | 60,383                              | 13.6                          | 48,465                              | 16.4                          | 24.6                |
| <b>Total</b>                                   | <b>443,668</b>                      | <b>100.0</b>                  | <b>295,573</b>                      | <b>100.0</b>                  | <b>50.1</b>         |

Property management services is still the largest source of income for the Group. For the six months ended 30 June 2020, revenue from property management services reached approximately RMB225.4 million, accounting for 50.8% 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 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, taxes and surcharges, depreciation and amortisation, office expenses and community activity costs.

During the Reporting Period, the cost of sales of the Group was approximately RMB288.4 million, representing an increase of approximately 39.2% compared with approximately RMB207.1 million in the same period of 2019. 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 75.6% from approximately RMB88.4 million for the same period in 2019 to approximately RMB155.3 million.

During the Reporting Period, the gross profit margin of the Group increased by 5.1 percentage points to 35.0% from 29.9% for the same period in 2019, mainly due to the economies of scale, implementation of cost control measures, and increased contribution from community value-added services with a higher gross margin.

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

|                                             | Six months ended 30 June        |                                 |                                             |
|---------------------------------------------|---------------------------------|---------------------------------|---------------------------------------------|
|                                             | 2020                            | 2019                            | Changes                                     |
|                                             | <i>Gross profit margin</i><br>% | <i>Gross profit margin</i><br>% | in gross profit margin<br>Percentage points |
| Property management services                | 24.7                            | 21.1                            | 3.6                                         |
| Value-added services to non-property owners | 36.8                            | 33.8                            | 3.0                                         |
| Community value-added services              | 69.0                            | 53.2                            | 15.8                                        |
| <b>Total</b>                                | <b>35.0</b>                     | <b>29.9</b>                     | <b>5.1</b>                                  |

## Other income and gains

During the Reporting Period, the other income and gains of the Group increased by approximately 36.3% from RMB2.6 million for the same period in 2019 to approximately RMB3.5 million. The main reason for the increase was attributable to the increase of the amount of government tax refunds during the epidemic compared with the same period in 2019.

## Administrative expenses

During the Reporting Period, the administrative expenses of the Group increased by approximately 45.9% from approximately RMB43.8 million for the same period in 2019 to approximately RMB63.9 million, mainly due to the listing expenses incurred by the Global Offering and increased expenses due to business expansion.

## **Income tax expenses**

During the Reporting Period, the income tax expenses of the Group increased by approximately 163.5% from RMB10.3 million for the same period in 2019 to approximately RMB27.1 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 and total comprehensive income attributable to owners of the Company for the period was approximately RMB59.6 million, representing an increase of approximately 106.8% compared with RMB28.8 million for the same period in 2019.

## **Property and equipment**

The property and equipment of the Group mainly include buildings, office equipment, electronic equipment and other assets. As of 30 June 2020, the property and equipment of the Group was approximately RMB8.0 million, representing an increase of approximately RMB0.4 million or 4.6% compared with approximately RMB7.6 million as at 31 December 2019.

## **Trade receivables**

The Group's trade receivables mainly derive from revenue from property management services and value-added services to non-property owners. As of 30 June 2020, the Group's trade receivables amounted to approximately RMB148.1 million, representing an increase of approximately RMB59.8 million or 67.8% compared with RMB88.3 million as of 31 December 2019. The increase was in line with the revenue growth as a result of undertaking new projects and the business expansion during the first half of the year.

## **Prepayments, deposits and other receivables**

The Group's prepayments, deposits and other receivables primarily consist 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 2020, the Group's prepayments, deposits and other receivables amounted to approximately RMB45.6 million, representing an increase of approximately 44.0% compared with RMB31.6 million as at 31 December 2019. 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 2020, the Group's trade payables amounted to approximately RMB72.1 million, representing an increase of approximately 48.7% from approximately RMB48.5 million as of 31 December 2019. 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.

The Group's borrowings are all denominated in RMB and bore interest at fixed rates. As of 30 June 2020, the borrowings of the Group amounted to RMB19.1 million, compared to RMB20.4 million as of 31 December 2019. From the respective drawdown dates, the Group's borrowings repayable within one year were RMB3.5 million and repayable over one year were RMB15.6 million as at 30 June 2020, while repayable within one year were RMB3.0 million and repayable over one year were RMB17.4 million as at 31 December 2019. 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 2020.

## **PLEDGE OF ASSETS**

As at 30 June 2020, equity interests of a subsidiary of the Group were pledged as security for certain of the Group's interest-bearing bank borrowings.

## **FINANCIAL RISKS**

### **INTEREST RATE RISK**

The Group's exposure to risk for changes in interest rates relates primarily to the Group's interest-bearing bank and other borrowings. As the Group has no significant interest-bearing assets and liabilities, the Group is not exposed to material risk directly relating to changes in market interest rates. The Group does not use derivative financial instruments to hedge interest rate risk. The Group's all bank borrowings are 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 (to define as the lawful currency of the PRC and global conversion). Any depreciation of Renminbi 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 2020, the Group's debt to asset ratio was 70.5%, representing a decrease of 5.3 percentage points compared with 75.8% of debt to asset ratio as of 31 December 2019. Debt to asset ratio equals total liabilities divided by total assets at the end of the period.

## **CONTINGENT LIABILITIES**

As of 30 June 2020, the Group had no contingent liabilities.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There was no material acquisition and disposal of subsidiaries and associated companies by the Company during the Reporting Period.

## **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 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 2020, the Group had approximately 4,268 employees (31 December 2019: approximately 4,496 employees). During the Reporting Period, the total staff costs were approximately RMB198.7 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.



## **SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

### **Capitalisation Issue**

According to the written resolution passed by the shareholders prior to the listing of the Company on 15 June 2020, conditional on the share premium account of the Company being credited due to the sale of shares, our Directors are authorised to capitalize an amount of US\$500,000 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 250,000,000 Shares for offering to the shareholders whose names appear on the register of members of the Company on the date of passing such resolutions in proportion to their then existing respective shareholdings in the Company.

### **Global Offering**

The Company was listed on the Main Board of the Stock Exchange on 10 July 2020. As of the Listing Date, the Company has issued 250,000,000 shares with a par value of US\$0.002 each at a price of HK\$4.55 per share for the listing of the Company's offer shares and shares on the Main Board of the Stock Exchange.

### **Over-allotment Option**

On 31 July 2020, the Company further issued 37,500,000 shares at a price of HK\$4.55 per share based on the full exercise of the over-allotment option. For further details, please refer to the Company's announcement dated 28 July 2020.

### **Change of Chief Financial Officer, Joint Company Secretary and Authorised Representative**

On 7 August 2020, Mr. Wang Yi was appointed as the chief financial officer of the Company, the joint company secretary and an authorised representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to replace Mr. Liu Chang as a result of Mr. Liu Chang's resignation.

Save as disclosed above, 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 Interim Results 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.

Given that the Company's shares have not been listed on the Stock Exchange up to 30 June 2020, the principles and code provisions of the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules do not apply to the Company during the Reporting Period. The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

From the Listing Date to the date of this Interim Results announcement, so far as the Directors are aware, the Company has complied with all the applicable code provisions set out in the CG Code.

## **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. The provisions of the Listing Rules regarding directors’ compliance with the code of conduct for securities transactions shall apply to the Company from the Listing Date. As the Company’s shares have not been listed on the Stock Exchange as of 30 June 2020, the Model Code does not apply to the Company during the Reporting Period.

All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the guidelines contained in the Model Code since the Listing Date up to the date of this Interim Results announcement.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Except for the Company’s Global Offering (including the exercise of over-allotment options) and Capitalisation Issue as described in the Prospectus, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company from 1 January 2020 to the date of this announcement.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

## **REVIEW OF UNAUDITED 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 of three members, namely Mr. Zhang Wei and Mr. Ma Haiyue, independent non-executive Directors, and Mr. Chan Wai Kin, 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 2020 were reviewed by the Audit Committee before recommendation 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](http://www.hkexnews.hk)) and the website of the Company ([www.zhenrowy.com](http://www.zhenrowy.com)). The interim report of the Company for the six months ended 30 June 2020 will be despatched to the shareholders of the Company in due course and will be made available on the websites of the Stock Exchange and the Company.

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

Hong Kong, 21 August 2020

*As of the date of this announcement, Mr. Huang Liang and Mr. Huang Sheng 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.*