zhenro 正荣服务

**ZHENRO SERVICES GROUP LIMITED**

**正 榮 服 務 集 團 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6958)**

# RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

## ANNUAL RESULTS AND OPERATIONAL HIGHLIGHTS

1. For the year ended 31 December 2020, the revenue of the Group was approximately RMB1,102.8 million, representing an increase of approximately 54.0% as compared with the revenue of RMB716.2 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. For the year ended 31 December 2020: (i) property management services remained the largest source of revenue for the Group, reached RMB486.8 million, accounting for 44.1% of the overall revenue, representing a year-on-year increase of approximately 42.2% compared with RMB342.3 million in the same period of 2019; (ii) revenue from value-added services to non-property owners reached RMB415.3 million, representing a year-on-year increase of approximately 58.4% compared to RMB262.3 million in the same period of 2019; and (iii) revenue from community value-added services reached RMB200.7 million, accounting for 18.2% of the overall revenue, representing a year-on-year increase of approximately 79.7% compared to RMB111.7 million in the same period of 2019.

3. For the year ended 31 December 2020, the gross profit of the Group was RMB383.4 million, representing an increase of 56.8% from RMB244.5 million in the same period of 2019. In 2020, the gross profit margin of the Group was 34.8%, representing an increase of 0.7 percentage point compared to 34.1% in the same period of 2019.

4. For the year ended 31 December 2020, the profit and total comprehensive income of the Group was approximately RMB175.2 million, representing an increase of 60.5% from RMB109.2 million in the same period of 2019. The profit and total comprehensive income attributable to owners of the parent for the year ended 31 December 2020 was approximately RMB171.6 million, representing an increase of approximately 62.9% from approximately RMB105.4 million in the same period of 2019; the net profit margin was approximately 15.9%, representing an increase of 0.7 percentage point compared to 15.2% the same period in 2019.

5. During the year ended 31 December 2020, the contracted GFA of the Group's property management services was approximately 87.4 million sq.m., representing an increase of approximately 136.2% from approximately 37.0 million sq.m. as at 31 December 2019 and the total GFA under management reached approximately 41.3 million sq.m, representing an increase of approximately 80.0% from approximately 22.9 million sq.m. as at 31 December 2019.

6. Proposed final dividend of RMB0.07 per share for the year ended 31 December 2020.

The board of directors (the "**Board**") of Zhenro Services Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the twelve months ended 31 December 2020 ("**2020**"). The annual results have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**"). In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2020*

| | | **2020** | 2019 |
|---|---|---|---|
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **REVENUE** | *5* | **1,102,752** | 716,220 |
| Cost of sales | | **(719,377)** | (471,731) |
| **GROSS PROFIT** | | **383,375** | 244,489 |
| Other income and gains | *5* | **8,263** | 6,314 |
| Administrative expenses | | **(140,003)** | (96,535) |
| Impairment losses on financial assets, net | | **(13,497)** | (4,591) |
| Finance costs, net | | **(1,296)** | (2,973) |
| Finance expense | | **(1,296)** | (72,390) |
| Finance income | | **–** | 69,417 |
| Share of loss of an associate | | **(149)** | (222) |
| **PROFIT BEFORE TAX** | *6* | **236,693** | 146,482 |
| Income tax expense | *7* | **(61,534)** | (37,322) |
| **PROFIT FOR THE YEAR** | | **175,159** | 109,160 |
| Attributable to: | | | |
| Owners of the parent | | **171,647** | 105,358 |
| Non-controlling interests | | **3,512** | 3,802 |
| | | **175,159** | 109,160 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted | *9* | **RMB0.19** | RMB0.14 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
*Year ended 31 December 2020*

| | 2020 *RMB'000* | 2019 *RMB'000* |
|---|---|---|
| **PROFIT FOR THE YEAR** | **175,159** | 109,160 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **(61,290)** | – |
| **Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods** | **(61,290)** | – |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX** | **(61,290)** | – |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **113,869** | 109,160 |
| Attributable to: | | |
| Owners of the parent | **110,357** | 105,358 |
| Non-controlling interests | **3,512** | 3,802 |
| | **113,869** | 109,160 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*31 December 2020*

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **7,020** | 7,604 |
| Right-of-use assets | | **6,856** | 8,173 |
| Investment properties | | **21,600** | 21,500 |
| Goodwill | | **59,537** | 59,537 |
| Other intangible assets | | **30,797** | 33,046 |
| Investment in an associate | | **–** | 149 |
| Deferred tax assets | | **19,515** | 9,903 |
| **Total non-current assets** | | **145,325** | 139,912 |
| **CURRENT ASSETS** | | | |
| Trade receivables | *10* | **272,117** | 88,265 |
| Due from related companies | | **74,757** | 50,848 |
| Prepayments, other receivables and other assets | *11* | **31,967** | 31,639 |
| Cash and bank balances | | **1,451,514** | 218,442 |
| **Total current assets** | | **1,830,355** | 389,194 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *12* | **166,659** | 48,461 |
| Other payables and accruals | *13* | **317,111** | 262,261 |
| Due to related companies | | **4,885** | 1,520 |
| Interest-bearing bank and other borrowings | | **14,000** | 3,000 |
| Tax payable | | **55,637** | 40,517 |
| Lease liabilities | | **3,991** | 4,368 |
| **Total current liabilities** | | **562,283** | 360,127 |
| **NET CURRENT ASSETS** | | **1,268,072** | 29,067 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,413,397** | 168,979 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | | **13,375** | 17,375 |
| Lease liabilities | | **6,731** | 6,300 |
| Other payables | *13* | **–** | 7,000 |
| Deferred tax liabilities | | **9,655** | 10,244 |
| **Total non-current liabilities** | | **29,761** | 40,919 |
| **NET ASSETS** | | **1,383,636** | 128,060 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | *14* | **7,867** | 349 |
| Reserves | | **1,355,699** | 111,153 |
| | | **1,363,566** | 111,502 |
| Non-controlling interests | | **20,070** | 16,558 |
| **TOTAL EQUITY** | | **1,383,636** | 128,060 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2020*

## 1. CORPORATE INFORMATION

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

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

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

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

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IFRS 3 | *Definition of a Business* |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | *Interest Rate Benchmark Reform* |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions* (early adopted) |
| Amendments to IAS 1 and IAS 8 | *Definition of Material* |

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

(d) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[2] |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2*[1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| IFRS 17 | *Insurance Contracts*[3] |
| Amendments to IFRS 17 | *Insurance Contracts*[3, 5] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[3] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[2] |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[2] |
| Annual Improvements to IFRSs 2018-2020 | *Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2] |

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting issued* in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2020, the carrying amounts of goodwill were RMB59,537,000, respectively.

***Provision for expected credit losses on trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group uses a provision matrix to calculate ECLs for trade and note receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 10.

***Deferred tax assets***

Deferred tax assets are recognised for deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

***Impairment of non-financial long-term assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets, including right-of-use assets, property, plant and equipment and other intangible assets at the end of year. These non-financial long-term assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales or lease transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Estimation of fair value of investment properties***

The valuation of the investment properties involves estimates and assumption on items such as the selection of comparable properties and market price.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources for estimation of fair value of investment properties, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

## 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services, value-added services to non-property owners and value-added services to customers. 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 year, 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 geographical information is presented.

**Information about major customers**

For the year ended 31 December 2020, revenue from Zhenro Properties Group Limited and its subsidiaries ("**Zhenro Properties Group**") contributed 22.5% (2019: 23.4%) 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 for the year.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the property management services, value-added services to non-property owners and community value-added services during the year.

An analysis of revenue and other income and gains is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| *Revenue from contracts with customers* | | |
| Property management services | **486,794** | 342,314 |
| Value-added services to non-property owners | **415,299** | 262,255 |
| Community value-added services | **200,659** | 111,651 |
| | **1,102,752** | 716,220 |

**Revenue from contracts with customers**

***(i) Disaggregated revenue information***

| | 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* |
|---|---|---|---|---|
| **2020** | | | | |
| **Type of goods or services** | | | | |
| Rendering of services | **486,794** | **415,299** | **200,659** | **1,102,752** |
| **Geographical market** | | | | |
| Mainland China | **486,794** | **415,299** | **200,659** | **1,102,752** |
| **Timing of revenue recognition** | | | | |
| Revenue recognised over time | **486,794** | **306,273** | **81,736** | **874,803** |
| Revenue recognised at a point in time | **–** | **109,026** | **118,923** | **227,949** |
| Total revenue from contracts with customers | **486,794** | **415,299** | **200,659** | **1,102,752** |
| **2019** | | | | |
| **Type of goods or services** | | | | |
| Rendering of services | 342,314 | 262,255 | 111,651 | 716,220 |
| **Geographical market** | | | | |
| Mainland China | 342,314 | 262,255 | 111,651 | 716,220 |
| **Timing of revenue recognition** | | | | |
| Revenue recognised over time | 342,314 | 213,001 | 41,758 | 597,073 |
| Revenue recognised at a point in time | – | 49,254 | 69,893 | 119,147 |
| Total revenue from contracts with customers | 342,314 | 262,255 | 111,651 | 716,220 |

The following table shows the amounts of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

| | **2020**<br>***RMB'000*** | 2019<br>*RMB'000* |
|---|---|---|
| Revenue recognised that was included in contract liabilities at beginning of year: | | |
| Property management services | **103,997** | 84,246 |

| | 2020 | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Interest income | **936** | 976 |
| Government grants | **2,472** | 1,522 |
| Rental income | **2,881** | 2,615 |
| Others | **1,859** | 501 |
| | **8,148** | 5,614 |
| **Gains** | | |
| Fair value gain on investment properties | **100** | 700 |
| Gain on disposal of items of property, plant and equipment | **15** | – |
| | **8,263** | 6,314 |

***(ii) Performance obligations***

Information about the Group's performance obligations is summarised below:

*Property management services and value-added services to non-property owners.*

For property management services, value-added service to non-property owners, the Group recognises revenue in the amount that equals the right to invoice which corresponds directly with the value to the customer of the Group's performance to date on a monthly or quarterly basis. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these types of contracts.

*Community value-added services*

The services are rendered in a short period of time which is generally less than a year and there was no unsatisfied performance obligation at the end of each of the respective periods.

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | *Notes* | **2020** **RMB'000** | 2019 *RMB'000* |
|---|---|---|---|
| Cost of services provided* | | **719,377** | 471,731 |
| Depreciation of property, plant and equipment | | **4,050** | 1,927 |
| Depreciation of right-of-use assets | | **2,844** | 3,166 |
| Amortisation of other intangible assets | | **4,239** | 3,933 |
| Lease payments not included in the measurement of lease liabilities | | **5,324** | 3,295 |
| Auditor's remuneration | | **3,380** | 1,476 |
| Impairment of financial assets, net | | | |
| Impairment of trade receivables, net | *10* | **13,081** | 4,742 |
| Impairment/(reversal of impairment) of other receivables, net | *11* | **416** | (151) |
| Employee benefit expense (including directors' and chief executive's remuneration): | | | |
| Wages, salaries and other allowances | | **371,416** | 290,784 |
| Pension scheme contributions and social welfare | | **23,905** | 37,815 |
| | | **395,321** | 328,599 |

* Amounts of RMB310,328,000 of employee benefit expenses were included in "Cost of services provided" in profit or loss during the year (2019: RMB299,328,000).

## 7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong during the reporting period.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for the reporting period.

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

| | **2020** **RMB'000** | 2019 *RMB'000* |
|---|---|---|
| **Current – Mainland China:** | | |
| Charge for the year | **71,735** | 42,195 |
| Deferred tax | **(10,201)** | (4,873) |
| Total tax charge for the year | **61,534** | 37,322 |

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rate for the reporting period is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before tax | **236,693** | 146,482 |
| At the statutory tax rate | **59,173** | 36,622 |
| Lower tax rate for specific provinces or enacted by local authority | **(1,540)** | (22) |
| Loss attributable to an associate | **37** | 56 |
| Expenses not deductible for tax | **738** | 666 |
| Tax losses not recognised | **3,126** | – |
| Tax charge at the Group's effective tax rate | **61,534** | 37,322 |

## 8. DIVIDENDS

During the year ended 31 December 2020, the directors did not declare any interim or final dividend.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 885,621,585 (2019: 728,767,123) in issue during the year, as adjusted for the assumption that 499,000,000 ordinary shares of the Company issued under the Share Split (note 14) and 250,000,000 ordinary shares of the Company issued under the Capitalisation Issue (note 14) occurred after the reporting period, as if these additional shares issued under the Share Split and Capitalisation Issue had been completed throughout the year ended 31 December 2020 and 2019.

| | **2020** | 2019 |
|---|---|---|
| | ***RMB,000*** | *RMB,000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earning per share calculation: | **171,647** | 105,358 |
| **Shares** | | |
| Weighted average number of ordinary shares in issuing during the year used in the basic and diluted earnings per share calculation | **885,621,585** | 728,767,123 |
| **Earnings per share** | | |
| Basic and diluted (RMB per share) | **0.19** | 0.14 |

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

## 10. TRADE RECEIVABLES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **293,207** | 97,502 |
| Impairment | **(21,090)** | (9,237) |
| | **272,117** | 88,265 |

Trade receivables mainly arise from property management services, value-added services to non-property owners and community value-added services.

Property management services, value-added services to non-property owners and community value-added services are due for payment upon the issuance of the demand notes in accordance with the terms of the relevant agreements.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **259,523** | 71,261 |
| 1 to 2 years | **11,026** | 16,030 |
| 2 to 3 years | **1,568** | 974 |
| | **272,117** | 88,265 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **9,237** | 4,981 |
| Impairment losses, net *(note 6)* | **13,081** | 4,742 |
| Amount written off as uncollectible | **(1,228)** | (486) |
| At end of year | **21,090** | 9,237 |

The increase in the loss allowance during the year ended 31 December 2020 was due to the significant changes in the gross carrying amount of the trade receivables which were past due.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Generally, trade receivables are written off if past due for more than three years and are not subject to enforcement activity.

## 11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Payments on behalf of customers to utility suppliers | **15,170** | 9,272 |
| Other prepayments | **3,133** | 8,508 |
| Deposits | **9,576** | 8,240 |
| Advances to staff | **2,079** | 1,996 |
| Other receivables | **3,027** | 4,227 |
| | **32,985** | 32,243 |
| Impairment | **(1,018)** | (604) |
| | **31,967** | 31,639 |

The movements in the loss allowance for impairment of prepayment, other receivables and other assets are as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **604** | 755 |
| Impairment losses/(reversal of impairment), net *(note 6)* | **416** | (151) |
| Amount written off as uncollectible | **(2)** | – |
| At end of year | **1,018** | 604 |

Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2019 and 2020 was 2.5% and 3.4%, respectively.

## 12. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **164,532** | 47,449 |
| Over 1 year | **2,127** | 1,012 |
| | **166,659** | 48,461 |

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

As at 31 December 2019 and 2020, the carrying amounts of trade payables approximated to their fair values.

## 13. OTHER PAYABLES AND ACCRUALS

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| ***Current portion*** | | | |
| Contract liabilities | *(a)* | **120,417** | 103,997 |
| Deposits received | | **15,177** | 12,001 |
| Consideration payables for acquisition of a subsidiary | *(b)* | **9,800** | 14,000 |
| Receipts on behalf of community residents | | **52,618** | 39,578 |
| Payroll and welfare payable | | **86,273** | 70,865 |
| Other tax payables | | **21,344** | 6,731 |
| Others | | **11,482** | 15,089 |
| | | **317,111** | 262,261 |
| ***Non-current portion*** | | | |
| Consideration payables for acquisition of a subsidiary | *(b)* | **–** | 7,000 |
| | | **317,111** | 269,261 |

*Notes:*

(a) The contract liabilities as at the end of year are related to short-term advances received from customers for its property management services. The Group receives payments from customers based on billing schedules as established in the property management contracts. A portion of payments is usually received in advance of the performance under the contracts which are mainly from property management services. According to the business model of the Group, for revenue recognised from the provision of property management services, all such revenue was carried forward from contract liabilities during the year.

(b) The Group acquired a 70% interest in Jiangsu Sutie from independent third parties with a cash consideration of RMB70,000,000 on 1 January 2019. Pursuant to the share transfer agreement, this cash consideration will be settled by installments over three years.

## 14. SHARE CAPITAL

| | **2020** | 2019 |
|---|---|---|
| Numbers of ordinary shares: | | |
| Authorised: | | |
| Ordinary shares of US$0.002 each (2019: US$1.00) | **20,000,000,000** | 1,000,000 |
| Issued: | | |
| Ordinary shares of US$0.002 each (2019: US$1.00) | **1,037,500,000** | 1,000,000 |

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amounts: | | |
| Issued and fully paid: | | |
| Ordinary shares of US$0.002 each (2019: US$1.00) | **7,867** | 349 |

A summary of movements in the Group's issued capital during the year is as follows:

| | *Notes* | **Numbers of shares in issue** | **Issued capital** *RMB'000* |
|---|---|---|---|
| Before the Capitalisation Issue | | 1,000,000 | 349 |
| Share Split | *(a)* | 499,000,000 | – |
| Capitalisation Issue | *(b)* | 250,000,000 | 3,497 |
| Global offering (excluding shares issued under the over-allotment option) | *(c)* | 250,000,000 | 3,497 |
| Over-allotment | *(d)* | 37,500,000 | 524 |
| As at 31 December 2020 | | 1,037,500,000 | 7,867 |

(a) 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$1.00 each was subdivided into 500 shares of US$0.002 each (the "Share Split"). 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. The issued 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.

(b) Pursuant to the 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 Listing Date and such shares were allotted and issued by way of capitalisation of US$500,000 (approximately RMB3,497,000) (the "Capitalisation Issue") from the Company's share premium account on the Listing Date.

(c) On 10 July 2020, 250,000,000 shares of US$0.002 each of the Company were issued at HK$4.55 per share by way of placing and public offering and the Company's shares were listed on the Main Board of the Stock Exchange. The proceeds of HK$3,875,000 (approximately RMB3,497,000), representing the par value, have been credited to the Company's share capital, and the remaining proceeds of HK$1,133,625,000 (approximately RMB1,023,074,000) have been credited to the share premium account.

(d) On 31 July 2020, the Company further issued 37,500,000 ordinary shares of US$0.002 each at a subscription price of HK$4.55 per share pursuant to the exercise of over-allotment options, resulting in a share premium of approximately RMB153,252,000 representing the difference between the subscription price and nominal value of the Company's ordinary shares before netting off share issue cost.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the results and business review of Zhenro Services Group Limited ("**Zhenro Services**" or the "**Company**", together with subsidiaries, the "**Group**") for the year ended 31 December 2020 and its outlook for 2021.

## RESULTS REVIEW

During the year ended 31 December 2020, the revenue of the Group increased by approximately 54.0% to RMB1,102.8 million compared with RMB716.2 million for the corresponding period of 2019, and the gross profit increased by 56.8% to RMB383.4 million compared with RMB244.5 million for the corresponding period of 2019, with a gross profit margin of 34.8%. The profit and total comprehensive income for the year was approximately RMB175.2 million, representing an increase of 60.5% compared with RMB109.2 million for the corresponding period of 2019. The profit and total comprehensive income attributable to owners of the parent was approximately RMB171.6 million, representing an increase of approximately 62.9% compared with approximately RMB105.4 million for the corresponding period of 2019. The net profit margin was approximately 15.9%, 0.7 percentage point higher than the corresponding period of 2019.

For the year ended 31 December 2020, the proposed final dividend is RMB0.07 per share.

## REVIEW OF 2020

### Pursuing high-quality scale expansion in multiple business forms

In 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, the Group developed business in 21 new potential cities, increasing its business coverage to 42 cities and the number of projects under management to 234.

As of 31 December 2020, the contracted gross floor area ("**GFA**") of the Group's property management services was approximately 87.4 million sq.m., representing an increase of approximately 136.2% from approximately 37.0 million sq.m. as at 31 December 2019 and the GFA under management reached approximately 41.3 million sq.m, representing an increase of approximately 80.0% from approximately 22.9 million sq.m. as at 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 2020. In addition, in the second half of 2020, it reached a strategic cooperation with Gulou District, Fuzhou City, and established a joint venture company with Nanjing Xuanwu Environmental Group (南京玄武環境集團) to jointly deploy and expand urban comprehensive operation services, government asset services, professional street cleaning, greening and maintenance services, thus increasingly diversified its project portfolio. As of 31 December 2020, the proportion of non-residential areas under management of the Group has reached 44%, and the structure is increasingly optimised.

**Service quality 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" ("服務為你，陪伴由心") to provide more property owners with high-quality and high-level property management services. In 2020, the Group successively launched "Progressive Actions", "Full Cycle Satisfaction Improvement Plan", "Small Project Hardware Function Configuration and Operation Standardisation" and "Star Housekeeper Creation" and other property management service enhancements. In the second half of 2020, the service brand for commercial and enterprise properties – "Rong Qi" (榮企) was released to further enhance the service capabilities for commercial enterprises, aimed at providing higher-quality property services for commercial and enterprise customers. The Group 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 2020, the Group improved its service quality in multiple dimensions, including emergency response capabilities, material deployment capabilities, technology application capabilities, and business innovation capabilities, and actively played the role of property management companies to respond to COVID-19 epidemic, and has been commended by local governments and property associations many times, enhancing its brand value and customer loyalty.

In 2020, there were significant increases in revenue and gross profit from value-added services to non-property owners and community value-added services. The value-added services to non-property owners achieved a revenue of RMB415.3 million, representing a year-on-year increase of 58.4%, and community value-added services achieved revenue of RMB200.7 million, representing a year-on-year increase of 79.7%.

**Promotion of intelligent services and comprehensive improvement in quality and efficiency**

In the industrial internet era, traditional property companies are accelerating their digital transformation. The application of modern mature technology and management techniques and methods in property management will bring an efficiency revolution to property management, which, through standardised operating procedures and digital business operations, will enhance customer experience, improve operational efficiency, and generate sustainable profits.

In 2020, the Group continued to invest in intelligent construction. For example, parking lots were improved and upgraded with digital vehicle barriers, and equipment management, maintenance, and monitoring were consolidated, and an intelligent quality management and control platform was built to effectively reduce manual occupation and improve operational efficiency and service quality.

## OUTLOOK FOR 2021

### Adhering to "dual-property type business" and balancing scale and quality

2020 is a milestone year in the history of property development. Resource integration in the industry has accelerated, the investment in digital services and intelligent construction has increased, and the industry competition has become increasingly fierce. In a "post-COVID-19 epidemic" era, along with economic recovery, the dual circulation economic strategy also gives property companies more room for development. 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 key areas, and 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 Limited and its subsidiaries ("**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 community value-added services, 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 customised 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.

### Focusing on improving operational efficiency, and promoting talent upgrade

In 2021, the Group will continue to increase the scale of management, enlarge market expansion, develop more diversified value-added service businesses, and improve operating efficiency. By strengthening digital construction, consolidating management data, and improving data management capabilities, the Group will achieve lean management, and promote improvement of operational efficiency.

Nowadays, 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 organisational orientation of "optimisation 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 personalized 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. We will strive to build the Group into a community and urban ecosystem services provider with high-quality development, stable and continuous growth and high investment value.

**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 and sales of goods, (iii) housing repair services, (iv) preliminary planning and design consultancy services and (v) pre-delivery inspection services.

- Community value-added services. The Group provides community value-added services to property owners and residents. 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 of 31 December 2020, the Group's contracted GFA amounted to approximately 87.4 million sq.m., and the number of contracted projects totalled 320, representing an increase of 136.2% and 37.9%, respectively, compared with those as at 31 December 2019. For the twelve months ended 31 December 2020, GFA under management by the Group generating revenue reached approximately 41.3 million sq.m., and the number of projects under management totalled 234, representing an increase of approximately 80.0% and 57.0%, respectively, compared with those as at 31 December 2019.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the twelve months ended 31 December 2020 and 2019:

| | **For the twelve months ended 31 December 2020** | | For the twelve months ended 31 December 2019 | |
|---|---|---|---|---|
| | **Contracted GFA** *('000 sq.m.)* | **GFA under management** *('000 sq.m.)* | Contracted GFA *('000 sq.m.)* | GFA under management *('000 sq.m.)* |
| As of the beginning of the period | **36,998** | **22,938** | 24,871 | 12,595 |
| New engagements(1) | **50,680** | **18,596** | 11,235 | 9,451 |
| Acquisitions(2) | **–** | **–** | 1,574 | 1,574 |
| Terminations(3) | **(281)** | **(257)** | (682) | (682) |
| As of the end of the period | **87,397** | **41,277** | 36,998 | 22,938 |

*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) The new GFA we obtained through our acquisitions of certain property management companies.

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

### Geographic Presence of the Group

As at 31 December 2020, the Group has expanded its geographic presence to 42 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 twelve months ended 31 December 2020 and 2019 respectively:

| | **As at 31 December or for the twelve months ended 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | | 2019 | | |
| | **GFA under management** | **Revenue** | | GFA under management | Revenue | |
| | ***('000 sq.m.)*** | ***RMB'000*** | *%* | *('000 sq.m.)* | *RMB'000* | *%* |
| Yangtze River Delta Region(1) | **17,683** | **274,695** | **56.4** | 8,529 | 194,748 | 56.9 |
| Bohai Rim Region(2) | **861** | **24,270** | **5.0** | 714 | 9,825 | 2.9 |
| Midwest Region(3) | **8,513** | **81,841** | **16.8** | 4,174 | 62,002 | 18.1 |
| Western Straits Region(4) | **14,220** | **105,988** | **21.8** | 9,521 | 75,739 | 22.1 |
| **Total** | **41,277** | **486,794** | **100.0** | 22,938 | 342,314 | 100.0 |

*Notes:*

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

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

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

(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 customised to meet specific needs of its customers on an as-needed basis and sales of goods; (iii) housing repair services; (iv) preliminary planning and design consultancy services; and (v) pre-delivery inspection services. Most of these non-property owners are property developers.

In 2020, revenue from value-added services to non-property owners increased by 58.4% to approximately RMB415.3 million compared to approximately RMB262.3 million in the same period of 2019, mainly due to the substantial increase in the number of projects developed by Zhenro Group Co., Ltd. and the partner property developers, which in turn resulted in an increase in demand for services such as sales assistance services, additional tailored services and preliminary planning and design consultancy services.

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:

| | **Twelve months ended 31 December** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Sales assistance services | **223,530** | **53.8** | 191,400 | 72.9 |
| Additional tailored services and sales of goods | **142,623** | **34.3** | 37,557 | 14.3 |
| Housing repair services | **32,253** | **7.8** | 21,746 | 8.3 |
| Preliminary planning and design consultancy services | **10,216** | **2.5** | 7,484 | 2.9 |
| Pre-delivery inspection services | **6,677** | **1.6** | 4,068 | 1.6 |
| **Total** | **415,299** | **100.0** | 262,255 | 100.0 |

**Community Value-Added Services**

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

In 2020, the revenue from community value-added services increased by 79.7% to approximately RMB200.7 million compared to approximately RMB111.7 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 provision of diversified home-living products. In 2020, revenue from community value-added services accounted for 18.2% of total revenue.

The following table sets forth the revenue breakdown of community value-added services for the twelve months ended 31 December 2020 and 2019:

| | **Twelve months ended 31 December** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Home-living services(1) | **118,923** | **59.3** | 56,594 | 50.7 |
| Car park management, leasing assistance and other services(2) | **67,437** | **33.6** | 46,005 | 41.2 |
| Common area value-added services(3) | **14,299** | **7.1** | 9,052 | 8.1 |
| **Total** | **200,659** | **100.0** | 111,651 | 100.0 |

*Notes:*

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

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

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

## FINANCIAL REVIEW

### Revenue

The Group's revenue is mainly derived from three major businesses: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services. In 2020, the Group's revenue amounted to approximately RMB1,102.8 million, representing an increase of approximately 54.0% compared with RMB716.2 million in the same period of 2019.

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

| | **Twelve months ended 31 December** | | | | |
|---|---|---|---|---|---|
| | **2020** | **Percentage of revenue** | 2019 | Percentage of revenue | Growth rate |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* | *%* |
| Property management services | **486,794** | **44.1** | 342,314 | 47.8 | 42.2 |
| Value-added services to non-property owners | **415,299** | **37.7** | 262,255 | 36.6 | 58.4 |
| Community value-added services | **200,659** | **18.2** | 111,651 | 15.6 | 79.7 |
| **Total** | **1,102,752** | **100.0** | 716,220 | 100.0 | 54.0 |

Property management services are still the largest source of income for the Group. For the twelve months ended 31 December 2020, revenue from property management services reached approximately RMB486.8 million, accounting for 44.1% 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 charges, greening and landscaping costs, utilities expenses, taxes and surcharges, depreciation and amortisation, office expenses and community activity costs.

In 2020, the cost of sales of the Group was approximately RMB719.4 million, representing an increase of approximately 52.5% compared with approximately RMB471.7 million in the same period of 2019. The increase in the cost of sales was mainly due to the rapid growth of the Group's business scale. The growth rate of the Group's cost of sales was slower than the growth rate of revenue, mainly due to economies of scale and the Group's efforts to control costs by strengthening the use of information technology systems.

**Gross profit and gross profit margin**

In 2020, the Group's gross profit increased by approximately 56.8% from approximately RMB244.5 million for the same period in 2019 to approximately RMB383.4 million.

In 2020, the gross profit margin of the Group increased by 0.7 percentage point to 34.8% from 34.1% 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 profit margin.

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

| | **Twelve months ended 31 December** | | |
|---|---|---|---|
| | **2020** | 2019 | Changes in gross profit margin |
| | ***Gross profit margin*** | *Gross profit margin* | *Percentage points* |
| | *%* | *%* | |
| Property management services | **23.2** | 23.1 | 0.1 |
| Value-added services to non-property owners | **32.6** | 34.5 | -1.9 |
| Community value-added services | **67.3** | 67.2 | 0.1 |
| **Total** | **34.8** | 34.1 | 0.7 |

**Other income and gains**

In 2020, the other income and gains of the Group increased by approximately 30.9% from approximately RMB6.3 million for the same period in 2019 to approximately RMB8.3 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**

In 2020, the administrative expenses of the Group increased by approximately 45.0% from approximately RMB96.5 million for the same period in 2019 to approximately RMB140.0 million, mainly due to the listing expenses incurred by the Global Offering and increased expenses due to business expansion.

**Income tax expenses**

In 2020, the income tax expenses of the Group increased by approximately 64.9% from approximately RMB37.3 million for the same period in 2019 to approximately RMB61.5 million. The increase in tax expenses was mainly due to the increase in profit before tax.

**Profit attributable to owners of the parent company**

In 2020, the profit and total comprehensive income attributable to owners of the parent company for the year was approximately RMB171.6 million, representing an increase of approximately 62.9% compared with approximately RMB105.4 million for the same period in 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 31 December 2020, the Group's trade receivables amounted to approximately RMB272.1 million, representing an increase of approximately RMB183.9 million or 208.3% compared with approximately 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 year.

**Prepayments, deposits and other receivables**

The Group's prepayments, deposits and other receivables primarily consist of payments made on behalf of the 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 31 December 2020, the Group's prepayments, deposits and other receivables amounted to approximately RMB32.0 million, representing an increase of approximately 1.0% compared with approximately RMB31.6 million as of 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 31 December 2020, the Group's trade payables amounted to approximately RMB166.7 million, representing an increase of approximately 243.9% 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.

In 2020, 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 interest-bearing and other borrowings are all denominated in RMB and bore interest at fixed rates. As at 31 December 2020, the borrowings of the Group amounted to RMB27.4 million, compared to RMB20.4 million as at 31 December 2019. From the respective drawdown dates, the Group's interest-bearing and other borrowings repayable within one year were RMB14.0 million and repayable over one year were RMB13.4 million as at 31 December 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 at 31 December 2020.

## PLEDGE OF ASSETS

As of 31 December 2020, equity interests of a subsidiary of the Group were pledged as security for certain of the Group's interest-bearing bank borrowings. As of 31 December 2020, the Group's bank borrowings of RMB10,000,000 (31 December 2019: RMB11,500,000) were pledged by 100% equity interests of a subsidiary, Zhenro Enterprise Service Co., Ltd.

## 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. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pays to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk.

## GEARING RATIO

The Group's gearing ratio calculated as total interest-bearing bank borrowings divided by total equity at the end of the respective period was approximately 0.02 times as at 31 December 2020 (as of 31 December 2019: approximately 0.16 times).

## LEGAL OR CONTINGENT LIABILITIES

As at 31 December 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 year ended 31 December 2020.

## SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2020, there was no significant investment held by the Group.

## FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently has no plan to make any significant investment or acquisition of capital assets but will continue to seek potential investment or acquisition opportunities according to the Group's development needs.

## EMPLOYEES

As of 31 December 31 2020, the Group had a total of 4,635 employees. The Group offers employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. It contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing provident funds.

## SUBSEQUENT EVENTS

## CHANGE OF EXECUTIVE DIRECTOR, CHIEF EXECUTIVE OFFICER AND AUTHORISED REPRESENTATIVE AND CHANGE IN COMPOSITION OF BOARD COMMITTEE

On 5 February 2021, pursuant to Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), Mr. Lin Xiaotong was appointed as the chief executive officer, a member of the remuneration committee of the Company and the authorised representative of the Company under the Listing Rules; and Mr. Kang Hong was appointed as an executive Director. Mr. Huang Liang resigned as an executive Director, chief executive officer, a member of the remuneration committee and the authorised representative of the Company under the Listing Rules.

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 annual results announcement.

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's shares were listed (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 July 2020 (the "**Listing Date**"), and the over-allotment option was fully exercised on 28 July 2020. The Company intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2020 (the "**Prospectus**"). Net proceeds from the the Listing (including the exercise of the over-allotment options), after deducting the underwriting commission and other estimated expenses, amounted to approximately HK$1,267.7 million (equivalent to RMB1,141.7 million).

As of 31 December 2020, an analysis of the utilisation of proceeds from the Listing is as follows:

| **Proposed use of net proceeds as set out in the Prospectus** | **Approximate percentage of net proceeds from the Listing** | **Net proceeds (including net proceeds from the exercise of the over-allotment option)**<br>*RMB million* | **Utilised net proceeds**<br>*RMB million* | **Unutilised net proceeds as of 31 December 2020**<br>*RMB million* | **Expected time of full utilisation** |
|---|---|---|---|---|---|
| Acquisition of and investment in other property management companies | 27.5% | 314.0 | – | 314.0 | Before 31 December 2021 |
| Acquisition of community products and services | 27.5% | 314.0 | – | 314.0 | Before 31 December 2021 |
| Development of the Group's information management system | 20.0% | 228.3 | 2.9 | 225.4 | Before 31 December 2022 |
| Further development of the Group's "Rong Wisdom" (榮智慧) service software | 15.0% | 171.2 | 1.4 | 169.8 | Before 31 December 2022 |
| General business operations and working capital | 10.0% | 114.2 | 114.2 | – | Not applicable |
| **Total** | 100.0% | 1,141.7 | 118.5 | 1,023.2 | |

## OTHER INFORMATION

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

The Company's shares have been listed on the Stock Exchange since the Listing Date. During the period from the Listing Date to 31 December 2020, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.07 per share (equivalent to approximately HK$0.08 per share based on the exchange rate of HK$1 to RMB0.84163 on 31 December 2020), amounting to approximately a total of RMB72.6 million (or approximately HK$86.3 million) for the year ended 31 December 2020 (the "**2020 Proposed Final Dividend**"), and representing approximately 42.3% of the profit and total comprehensive income for the year attributable to owners of the parent of the Group for the year ended 31 December 2020. The 2020 Proposed Final Dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "**AGM**") to be held on 18 June 2021. The 2020 Proposed Final Dividend will be declared and paid in Hong Kong dollars. The dividend payable was not reflected in the consolidated financial statements.

## AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on Friday, 18 June 2021. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course. For the purpose of determination of eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the forthcoming AGM to be held on Friday, 18 June 2021, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Friday, 11 June 2021.

Subject to the approval of the 2020 Proposed Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from Thursday, 24 June 2021 to Monday, 28 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the 2020 Proposed Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Wednesday, 23 June 2021. The 2020 Proposed Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on or about Friday, 30 July 2021 to those shareholders whose name appear on the register of member of the Company on Monday, 28 June 2021.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AS SET OUT IN APPENDIX 14 OF THE LISTING RULES

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

Throughout the period since the Listing Date and up to 31 December 2020, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Corporate Governance Code and maintaining a high standard of corporate governance practices of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. 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. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the period since the Listing Date and up to 31 December 2020.

## CHANGES IN DIRECTOR'S AND CHIEF EXECUTIVE'S BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Due to other personal career development plans, Mr. Huang Sheng has resigned as an executive Director with effect from 6 November 2020.

Mr. Lin Xiaotong has been appointed as an executive Director with effect from 6 November 2020. He was further appointed as the chief executive officer, member of the remuneration committee and authorised representative of the Company, all with effect from 5 February 2021.

Due to other business and work commitments, Mr. Huang Liang has resigned as an executive Director, chief executive officer, member of the remuneration committee and authorised representative of the Company, all with effect from 5 February 2021.

Mr. Kang Hong has been appointed as an executive Director with effect from 5 February 2021.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the 2020 interim report of the Company.

## PUBLIC FLOAT

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

## AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. 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 Audit Committee has reviewed and discussed the annual results of the Company for the year ended 31 December 2020. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor to the amounts set out in the Group's consolidated financial statements for the year.

## SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2020, but represents an extract from the consolidated financial statements for the year ended 31 December 2020 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk), as well as the website of the Company (www.zhenrowy.com). The annual report will be despatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 March 2021

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