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 2021

**ANNUAL RESULTS AND OPERATIONAL HIGHLIGHTS**

1. For the year ended 31 December 2021, the revenue of the Group was approximately RMB1,335.8 million, representing an increase of approximately 21.1% as compared with the revenue of RMB1,102.8 million in the same period of 2020.

2. The revenue of the Group is mainly derived from four major businesses: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) commercial operational management services. For the year ended 31 December 2021: (i) property management services remained the largest source of revenue for the Group, reached RMB658.3 million, accounting for 49.3% of the overall revenue, representing a year-on-year increase of approximately 35.2% compared with RMB486.8 million in the same period of 2020; (ii) revenue from value-added services to non-property owners reached RMB371.2 million, representing a year-on-year decrease of approximately 10.6% compared to RMB415.3 million in the same period of 2020; (iii) revenue from community value-added services reached RMB264.5 million, accounting for 19.8% of the overall revenue, representing a year-on-year increase of approximately 31.8% compared to RMB200.7 million in the same period of 2020; and (iv) revenue from commercial operational management services reached RMB41.7 million, accounting for 3.1% of the overall revenue.

3. For the year ended 31 December 2021, the gross profit of the Group was RMB428.1 million, representing an increase of 11.7% from RMB383.4 million in the same period of 2020. In 2021, the gross profit margin of the Group was 32.0%, representing a decrease of 2.8 percentage points compared to 34.8% in the same period of 2020.

4. For the year ended 31 December 2021, the profit of the Group was approximately RMB177.6 million, representing an increase of approximately 1.4% from RMB175.2 million in the same period of 2020. The profit attributable to owners of the parent for the year ended 31 December 2021 was approximately RMB174.6 million, representing an increase of approximately 1.7% from approximately RMB171.6 million in the same period of 2020.

5. During the year ended 31 December 2021, the contracted GFA of the Group's property management services was approximately 104.1 million sq.m., representing an increase of approximately 19.1% from approximately 87.4 million sq.m. as at 31 December 2020 and the total GFA under management reached approximately 71.0 million sq.m, representing an increase of approximately 72.0% from approximately 41.3 million sq.m. as at 31 December 2020.

6. After comprehensive consideration of the Group's distributable profits, financial position and retained profits for future development, the Board resolved not to recommend any final dividend for the year ended 31 December 2021.

The board (the "**Board**") of directors (the "**Directors**") of Zhenro Services Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**" or "**We**") for the year ended 31 December 2021 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2020 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2021*

| | *Notes* | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| **REVENUE** | *5* | **1,335,788** | 1,102,752 |
| Cost of sales | | **(907,677)** | (719,377) |
| **GROSS PROFIT** | | **428,111** | 383,375 |
| Other income and gains | *5* | **15,980** | 8,163 |
| Administrative expenses | | **(145,359)** | (140,003) |
| Impairment losses on financial assets, net | | **(27,636)** | (13,497) |
| Fair value gains/(losses) on investment properties | | **(27,700)** | 100 |
| Finance costs | | **(10,109)** | (1,296) |
| Share of loss of associates | | **–** | (149) |
| **PROFIT BEFORE TAX** | *6* | **233,287** | 236,693 |
| Income tax expense | *7* | **(55,646)** | (61,534) |
| **PROFIT FOR THE YEAR** | | **177,641** | 175,159 |
| Attributable to: | | | |
| Owners of the parent | | **174,578** | 171,647 |
| Non-controlling interests | | **3,063** | 3,512 |
| | | **177,641** | 175,159 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted | *9* | **RMB0.17** | RMB0.19 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*Year ended 31 December 2021*

| | **2021** *RMB'000* | 2020 *RMB'000* |
|---|---|---|
| **PROFIT FOR THE YEAR** | **177,641** | 175,159 |
| **OTHER COMPREHENSIVE LOSS** | | |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **(14,379)** | (61,290) |
| **Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods** | **(14,379)** | (61,290) |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX** | **(14,379)** | (61,290) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **163,262** | 113,869 |
| Attributable to: | | |
| Owners of the parent | **160,199** | 110,357 |
| Non-controlling interests | **3,063** | 3,512 |
| | **163,262** | 113,869 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2021*

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | | **7,570** | 7,020 |
| Right-of-use assets | | **8,194** | 6,856 |
| Investment properties | | **166,490** | 21,600 |
| Goodwill | *3* | **766,626** | 59,537 |
| Other intangible assets | | **52,127** | 30,797 |
| Investment in associates | | **980** | – |
| Finance lease receivables | | **53,718** | – |
| Deferred tax assets | | **20,321** | 19,515 |
| **Total non-current assets** | | **1,076,026** | 145,325 |
| **CURRENT ASSETS** | | | |
| Finance lease receivables | | **58,795** | – |
| Trade receivables | *10* | **310,832** | 272,117 |
| Due from related companies | | **275,024** | 74,757 |
| Prepayments, other receivables and other assets | *11* | **56,361** | 31,967 |
| Cash and cash equivalents | | **736,914** | 1,451,514 |
| Pledged deposits | | **4,616** | – |
| **Total current assets** | | **1,442,542** | 1,830,355 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *12* | **202,118** | 166,659 |
| Other payables and accruals | *13* | **479,932** | 317,111 |
| Due to related companies | | **2,594** | 4,885 |
| Interest-bearing bank and other borrowings | *14* | **87,544** | 14,000 |
| Tax payable | | **37,365** | 55,637 |
| Lease liabilities | | **70,596** | 3,991 |
| **Total current liabilities** | | **880,149** | 562,283 |
| **NET CURRENT ASSETS** | | **562,393** | 1,268,072 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,638,419** | 1,413,397 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | *14* | **30,555** | 13,375 |
| Lease liabilities | | **79,808** | 6,731 |
| Deferred tax liabilities | | **44,578** | 9,655 |
| Other payables | | **10,177** | – |
| **Total non-current liabilities** | | **165,118** | 29,761 |
| **NET ASSETS** | | **1,473,301** | 1,383,636 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | *15* | **7,867** | 7,867 |
| Reserves | | **1,443,273** | 1,355,699 |
| | | **1451,140** | 1,363,566 |
| Non-controlling interests | | **22,161** | 20,070 |
| **TOTAL EQUITY** | | **1,473,301** | 1,383,636 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2021*

## 1. CORPORATE AND GROUP INFORMATION

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

The Company's subsidiaries are principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services for residential and non-residential properties, commercial operational management services 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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**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 2021. 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 following revised IFRS for the first time for the current year's financial statements.

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

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

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

    The amendment did not have any impact on the Group's financial statements.

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

    The amendment did not have any impact on the Group's financial statements.

## 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*[1] |
| Amendments to IFRS 10 and IFRS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| IFRS 17 | *Insurance Contracts*[2] |
| Amendments to IFRS 17 | *Insurance Contracts*[2, 5] |
| Amendments to IFRS 1 | *Classification of Liabilities as Current or Non-current*[2, 4] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies*[2] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[2] |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[1] |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[1] |
| Annual Improvements to IFRS 2018-2020 | *Amendments to IFRS 1, IFRS 9, Illustrative examples accompanying IFRS 16, and IAS 41*[1] |
| Amendments to IFRS 16 | *Covid-19-Related Rent Concessions beyond 30 June 2021*[6] |

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IAS 1, IASB Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to IFRS 17 issued in October 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

6 Effective for annual periods beginning on or after 1 April 2021

Further information about those IFRS 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 March 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 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) 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 resulting from a downstream transaction 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 (2011) 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 Classification of Liabilities as Current or Non-current 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 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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 IFRS 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.

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

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position.

## 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 revenues, 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 2021, the carrying amount of goodwill was RMB766,626,000.

***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 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.

***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, community value-added services and commercial operational management services. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

### Geographical information

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

### Information about major customers

During the year, revenue from Zhenro Properties Group Limited and its subsidiaries ("**Zhenro Properties Group**") contributed 20.8% (2020: 22.5%) to the Group's revenue. Other than the revenue from Zhenro Properties Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from 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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| *Revenue from contracts with customers* | **1,313,955** | 1,102,752 |
| *Revenue from other sources* | | |
| Sublease services | **21,833** | – |
| | **1,335,788** | 1,102,752 |

**Revenue from contracts with customers**

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

| | **Property management services** | **Value-added services to non-property owners** | **Community value-added services** | **Brand and management output services** | **Total** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | | *RMB'000* |
| **2021** | | | | | |
| **Type of goods or services** | | | | | |
| Rendering of services | **658,328** | **371,221** | **264,494** | **19,912** | **1,313,955** |
| **Geographical market** | | | | | |
| Mainland China | **658,328** | **371,221** | **264,494** | **19,912** | **1,313,955** |
| **Timing of revenue recognition** | | | | | |
| Revenue recognised over time | **658,328** | **360,881** | **138,848** | **19,912** | **1,177,969** |
| Revenue recognised at a point in time | **–** | **10,340** | **125,646** | **–** | **135,986** |
| Total revenue from contracts with customers | **658,328** | **371,221** | **264,494** | **19,912** | **1,313,955** |
| **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 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue recognised that was included in contract liabilities at beginning of year: | | |
| Property management services, and brand and management output services | **136,253** | 103,997 |

*(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 and value-added services 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 reporting period.

*Brand and management output services*

For brand and management output services to property owners, the Group recognises revenue in the amount that equals the right to invoice which corresponds directly with the value to property owners 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.

Other income and gains

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Interest income | **1,062** | 936 |
| Government grants | **3,866** | 2,472 |
| Rental income | **2,966** | 2,881 |
| Value added tax additional deduction | **3,048** | 1,742 |
| Finance income from finance leases | **3,292** | – |
| Others | **1,746** | 117 |
| | **15,980** | 8,148 |
| **Gains** | | |
| Gain on disposal of items of property, plant and equipment | **–** | 15 |
| | **15,980** | 8,163 |

## 6. PROFIT BEFORE TAX

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

| | *Notes* | **2021** **RMB'000** | 2020 *RMB'000* |
|---|---|---|---|
| Depreciation of property, plant and equipment | | **5,861** | 4,050 |
| Depreciation of right-of-use assets | | **3,352** | 2,844 |
| Amortisation of other intangible assets | | **6,342** | 4,239 |
| Lease payments not included in the measurement of lease liabilities | | **5,075** | 5,324 |
| Auditor's remuneration* | | **3,463** | 4,029 |
| Impairment of financial assets, net | | | |
| Impairment of finance lease receivales, net | | **2,932** | – |
| Impairment of trade receivables, net | | **11,100** | 13,081 |
| Impairment of due from related parites, net | | **12,707** | – |
| Impairment of other receivables, net | | **897** | 416 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | | |
| Wages, salaries and other allowances | | **431,137** | 371,416 |
| Pension scheme contributions and social welfare | | **68,279** | 23,905 |
| | | **499,416** | 395,321 |

* Auditor's remiuneration in 2020 included a portion of audit fee for the existing shares of the Company of RMB689,000 which was charged to the statement of profit or loss in 2020.

## 7. INCOME TAX

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

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

| | **2021** **RMB'000** | 2020 *RMB'000* |
|---|---|---|
| **Current – Mainland China:** | | |
| Charge for the year | **58,916** | 71,735 |
| Deferred tax | **(3,270)** | (10,201) |
| Total tax charge for the year | **55,646** | 61,534 |

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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before tax | **233,287** | 236,693 |
| At the statutory tax rate | **58,322** | 59,173 |
| Lower tax rate for specific provinces or enacted by local authority | **(7,502)** | (1,540) |
| Loss attributable to an associate | **–** | 37 |
| Expenses not deductible for tax | **842** | 738 |
| Tax losses utilised from previous years | **(558)** | – |
| Tax losses not recognised | **4,542** | 3,126 |
| Tax charge at the Group's effective rate | **55,646** | 61,534 |

## 8. DIVIDENDS

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 2020 final dividend declared – HK$0.08 per ordinary share | **72,625** | – |

The final dividend of the year ended 31 December 2020 was approved by the shareholders at the annual general meeting of the Company on 18 June 2021.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,037,500,000 (2020: 885,621,585) in issue during the period, as adjusted for the assumption that 499,000,000 ordinary shares of the Company issued under the Share Split and 250,000,000 ordinary shares of the Company issued under the Capitalisation Issue occurred after the reporting period, as if these additional shares issued under the Share Split and the Capitalisation Issue had been completed throughout the year ended 31 December 2020.

The Group had no potential dilutive ordinary shares in issue during the year ended 31 December 2021 and 2020.

The calculations of basic and diluted earnings per share are based on:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **174,578** | 171,647 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation | **1,037,500,000** | 885,621,585 |

## 10. TRADE RECEIVABLES

| | 2021 | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **340,602** | 293,207 |
| Impairment | **(29,770)** | (21,090) |
| | **310,832** | 272,117 |

Trade receivables mainly arise from property management services, value-added services to non-property owners, community value-added services, brand and management output services and sublease services, and 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:

| | 2021 | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **275,919** | 259,523 |
| 1 to 2 years | **33,210** | 11,026 |
| 2 to 3 years | **1,703** | 1,568 |
| | **310,832** | 272,117 |

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

| | 2021 | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **21,090** | 9,237 |
| Impairment losses, net | **11,100** | 13,081 |
| Amount written off as uncollectible | **(2,420)** | (1,228) |
| At end of year | **29,770** | 21,090 |

The increase in the loss allowance during the year ended 31 December 2021 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2021

| | | **Past due** | | |
|---|---|---|---|---|
| | **Less than one year** | **1 to 2 year** | **2 to 3 years** | **Total** |
| Expected credit loss rate | **5.8%** | **21.0%** | **70.7%** | **8.7%** |
| Gross carrying amount (RMB'000) | **292,760** | **42,022** | **5,820** | **340,602** |
| Expected credit losses (RMB'000) | **16,841** | **8,812** | **4,117** | **29,770** |

31 December 2020

| | | Past due | | |
|---|---|---|---|---|
| | Less than one year | 1 to 2 year | 2 to 3 years | Total |
| Expected credit loss rate | 5.3% | 18.7% | 71.9% | 7.19% |
| Gross carrying amount (RMB'000) | 274,074 | 13,554 | 5,579 | 293,207 |
| Expected credit losses (RMB'000) | 14,551 | 2,528 | 4,011 | 21,090 |

## 11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Payments on behalf of customers to utility suppliers | **30,254** | 15,170 |
| Other prepayments | **5,044** | 3,133 |
| Deposits | **15,415** | 9,576 |
| Advances to staff | **4,212** | 2,079 |
| Other receivables | **3,351** | 3,027 |
| | **58,276** | 32,985 |
| Impairment | **(1,915)** | (1,018) |
| | **56,361** | 31,967 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **1,018** | 604 |
| Impairment losses, net | **897** | 416 |
| Amount written off as uncollectible | **–** | (2) |
| At end of year | **1,915** | 1,018 |

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 2021 was 3.6% (2020: 3.4%).

## 12. TRADE PAYABLES

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **197,760** | 164,532 |
| Over 1 year | **4,358** | 2,127 |
| | **202,118** | 166,659 |

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

## 13. OTHER PAYABLES AND ACCRUALS

| | | **2021** | 2020 |
|---|---|---|---|
| | *Notes* | ***RMB'000*** | *RMB'000* |
| ***Current portion*** | | | |
| Contract liabilities | *(a)* | **151,277** | 120,417 |
| Deposits received | *(b)* | **29,749** | 15,177 |
| Consideration payables for acquisition of a subsidiary | | **–** | 9,800 |
| Receipts on behalf of community residents | | **88,787** | 52,618 |
| Payroll and welfare payable | | **103,887** | 86,273 |
| Other tax payables | | **32,234** | 21,344 |
| Rental advances | | **56,327** | – |
| Others | | **17,671** | 11,482 |
| | | **479,932** | 317,111 |
| ***Non-current portion*** | | | |
| Deposits received | *(b)* | **10,177** | – |
| | | **490,109** | 317,111 |

*Notes:*

(a) The contract liabilities as at the end of year are related to short-term advances received from customers for the Group's property management services, value-added services to non-property owners and community value-added services. The Group receives payments from customers based on billing schedules as established in the property management and value-added services to non-property owners contracts. A portion of payments is usually received in advance of the performance under the contracts which are mainly from property management services.

(b) The balance mainly represents security deposits received from tenants and suppliers and rental deposits from lessees.

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | At 31 December 2021 | | |
|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | ***RMB'000*** |
| **Current** | | | |
| Bank loans – secured | **5.2** | **2022** | **20,000** |
| Bank loans – unsecured | **4.4-5.2** | **2022** | **57,044** |
| **Current portion of long term** | | | |
| Bank loans – secured | **5.0** | **2022** | **8,000** |
| Bank loans – unsecured | **4.7-5.2** | **2022** | **2,500** |
| | | | **87,544** |
| **Non-current** | | | |
| Bank loans – secured | **5.0** | **2023-2026** | **19,180** |
| Bank loans – unsecured | **4.7-5.2** | **2023-2024** | **11,375** |
| | | | **30,555** |
| | | | **118,099** |

| | At 31 December 2020 | | |
|---|---|---|---|
| | Effective interest rate (%) | Maturity | *RMB'000* |
| **Current** | | | |
| Current portion of long term | | | |
| bank loans – secured | 5.6 | 2021 | 2,500 |
| bank loans – unsecured | 5.2-5.4 | 2021 | 11,500 |
| | | | 14,000 |
| **Non-current** | | | |
| Bank loans – secured | 5.6 | 2022-2024 | 7,500 |
| Bank loans – unsecured | 5.2 | 2022-2024 | 5,875 |
| | | | 13,375 |
| | | | 27,375 |

| | **2021** ***RMB'000*** | 2020 *RMB'000* |
|---|---|---|
| Analysed into: | | |
| Repayable within one year | **87,544** | 14,000 |
| Repayable within two to five years | **30,555** | 13,375 |
| | **118,099** | 27,375 |

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

As at 31 December 2021, the Group's bank borrowings of RMB27,180,000 (2020: nil) were pledged by 70% equity interests of Jiangsu Sutie, a subsidiary the Group. As at 31 December 2021, the Group's bank borrowings of RMB20,000,000 (2020: nil) were guaranteed by Zhenro Group Co., Ltd. ("**Zhenro Group Company**"), a company controlled by the controlling shareholder.

## 15. SHARE CAPITAL

| | 2021 | 2020 |
|---|---|---|
| Number of ordinary shares: | | |
| Authorised: | | |
| Ordinary shares of US$0.002 each (2020: US$0.002) | **20,000,000,000** | 20,000,000,000 |
| Issued: | | |
| Ordinary shares of US$0.002 each (2020: US$0.002) | **1,037,500,000** | 1,037,500,000 |

| | **2021** *RMB'000* | 2020 *RMB'000* |
|---|---|---|
| Amounts: | | |
| Issued and fully paid: | | |
| Ordinary shares of US$0.002 each (2020: US$0.002) | **7,867** | 7,867 |

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

| | *Notes* | **Number of shares in issue** | **Issued capital** *RMB'000* |
|---|---|---|---|
| At 1 January 2020 | | 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 and 1 January 2021 | | 1,037,500,000 | 7,867 |
| As at 31 December 2021 | | 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 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 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 the share issue cost.

## 16. BUSINESS COMBINATION

**Zhenro Commercial Management Co., Ltd**

On 29 June 2021, the Group acquired an aggregate of 99% interest in Zhenro Commercial Management Co., Ltd and its subsidiaries ("**Zhenro Commercial Management**") from Zhenro Properties Group with a cash consideration of RMB891 million. Zhenro Commercial Management are principally engaged in the provision of commercial operation and management services for commercial properties in Mainland China. The purchase consideration for the acquisition was in the form of cash, with a total amount of RMB891 million.

Pursuant to the acquisition agreement, if the net profit of Zhenro Commercial Management (the "**Guaranteed Profit**") for the year ending 31 December 2021 is less than RMB60 million, the second instalment will be adjusted in RMB as 356,400,000 – (60,000,000 – a*) × 99% × b**

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

** represents the total consideration of RMB891 million for the transaction divided by the corresponding 99% equity interest and then divided by RMB60 million, namely the Guaranteed Profit of Zhenro Commercial Management for the year ending 31 December 2021.

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

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

An analysis of the cash flows in respect of the above acquisition is as follows:

| | *RMB'000* |
|---|---|
| Total cash consideration | (891,000) |
| Total cash and bank balances acquired | 43,045 |
| Net outflow of cash and cash equivalents in respect of the acquisition included in cash flows from investing activities | (847,955) |

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

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

The contingent consideration is recognised at fair value at the acquisition date, which was recorded as ""financial assets at fair value through profit or loss", and measured at fair value with changes in fair value recognise in profit or loss. Based on the assessment performed by the management of Group, the fair value of the contingent consideration at 31 December 2021 was nil.

After acquisition, Zhenro Commercial Management contributed RMB102,963,000 to the Group's revenue and RMB19,248,000 to the Group's profit for the year ended 31 December 2021. Had the combination taken place at 1 January 2021, the consolidated revenue and profit of the Group would have been RMB1,405,572,000 and RMB271,319,000, respectively.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the annual results of the Group for the year ended 31 December 2021.

## RESULTS REVIEW

During the Reporting Period, the revenue of the Group increased by approximately 21.1% to RMB1,335.8 million as compared with RMB1,102.8 million for the corresponding period last year; the profit for the period was approximately RMB177.6 million, representing an increase of approximately 1.4% as compared with RMB175.2 million for the corresponding period last year; the profit attributable to owners of the parent for the period was approximately RMB174.6 million, representing an increase of approximately 1.7% as compared with RMB171.6 million for the corresponding period last year.

## BUSINESS REVIEW

The year of 2021 was a challenging year for Zhenro. The Group continuously made efforts for high-quality growth, business expansion, deep engagement in cities, optimization and integration of resources. Meanwhile, the Group actively explored business innovation, strengthened the control system and improved organizational effectiveness to promote operational improvement.

As shown in the data issued by China Index Academy, the Group was ranked 18th among the 2021 Top 100 Property Management Companies in China (2021 中國物業服務百強企業第 18 名) with continuous improvement of its overall strength.

### Adherence to the strategy of deep engagement in regions, continuous business innovation and high-quality expansion

In 2021, the Group continued to deeply engage in target cities and expand its business scale. The Group continuously expanded its business in Shanghai, Nanjing, Suzhou, Fuzhou and other key first-and second-tier cities in order to stabilize and enhance its market position. As at 31 December 2021, the number of property service projects under management increased to 358, and the number of commercial operation projects under management reached 23. The commercial operation projects were located in the key first-and second-tier cities including Shanghai, Nanjing, Fuzhou and Changsha.

During the Reporting Period, the contracted gross floor area ("**GFA**") of the Group reached approximately 104.1 million square meter ("**sq.m.**"), representing a net increase of approximately 16.7 million sq.m. as compared to 31 December 2020, and the total GFA under management reached approximately 71.0 million sq.m., representing a net increase of approximately 29.7 million sq.m. as compared to 31 December 2020.

In 2021, based on the Group's advantages of business expansion in the regions where the Group was deeply engaged in its business, it newly developed its property management business for rail transit, scenic areas and high-tech industrial parks. Meanwhile, the Group cooperated with local governments and social organizations in promoting projects including urban public services, public space management and public resource management. In 2021, the Group successively established long-term strategic cooperation with Fuzhou Hi-tech Zone and the government of Xuanwu District, Nanjing.

**Persistence in quality service as the cornerstone, and operation improvement with science and technology**

In 2021, under the service philosophy of "providing heartfelt and personalized services for your well-being" ("服務由心，幸福為你"), the Group announced its new strategic positioning as the leading beautiful home-living service group in China, with the strategic objective to create a high-quality and high-value comprehensive service group in China, namely Zhenro Service, which will actively explore and make arrangements for urban services, long-term rental apartments and other asset management services to provide users with full-cycle and full-scenario services.

Meanwhile, the Group also launched five major sub-brands for diversification. The Group made efforts to build a beautiful life in every scenario and at every moment, through creating Rongju (榮居) "residential property services", Rongqi (榮企) "business enterprise property services", Rongcheng (榮城) "urban services", Rongshang (榮商) "business management" and Rong+ (榮+) "innovative business".

Meanwhile, the Group continuously brought a beautiful living experience for home owners, further optimized its operation cost and improved its operation efficiency, through its arrangements for intelligent communities, the improvement of the digital platform for operation, accelerated integration of community resources, focus on the actual living needs of property owners, and active innovation and development of community value-added services.

**Commercial operation, accelerated project expansion and business innovation for improving operational efficiency**

In 2021, the Group completed the acquisition of 99% equity interest in Zhenro Commercial Management. Zhenro Commercial Management had a total GFA under management of approximately 1.49 million sq.m. and 23 projects under management as at 31 December 2021.

Zhenro Commercial Management was continuously and deeply engaged in Western China Region, Yangtze River Delta Region, Central China Region and Bohai Rim Region, and accelerated the development of its asset-light commercial management business while steadily developing its commercial projects. Changzhou Xinghu Plaza and Taixing Phoenix Plaza, which are asset-light commercial projects, successfully commenced operations.

Meanwhile, with the continuous acceleration of industry iteration and the change of consumption in the "post-epidemic era", Zhenro Commercial Management continuously improved the customer experience and operation quality. In 2021, Zhenro Commercial Management further improved its membership management system, formed a closed-loop of consumption covering traffic driving, conversion and accumulation, and improved the customer experience through digital operation, and promoted the improvement in operational efficiency.

## OUTLOOK

2021 is the first year of the national "14th Five-Year" Plan and the carbon peaking and carbon neutrality goals, when there are rapid changes in the economic environment in China. With the change of the development paradigm of the property management industry and the higher expectations for the industry, there will be a keen competition in the industry, while the property industry will have significant room to grow. With the vast market opportunities, the Group will continuously make efforts to build its core competence in four aspects, namely steady improvement in quality, full-scenario service response, technological enablement and emerging business. In order to ensure the achievement of targets, the Group will start with organizational upgrade, talent optimization, management and control system improvement and incentive system, and promote the steady implementation of its strategies through comprehensive and strong management, thus achieving its growth.

For this purpose, the Group will strengthen its cooperation with local governments and third-party developers. The Group will increase its share of the property management market in regions in which it is engaged and develop new businesses through multi-channel market expansion, strategic cooperation, mergers and acquisitions of property management companies and upstream and downstream professional companies. While pursuing high-quality scale expansion, the Group will continuously leverage the power of digital platforms to create more diversified value-added services and continuously improve its service quality and owner satisfaction. Meanwhile, the Group will enhance the business synergy between commercial management and property management segments, further broaden business boundaries and create new profit and revenue growth points while optimising the Group's ability to operate in diversified business sectors.

## APPRECIATION

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Business model of the Group

The Group has four business lines, namely, (i) property management services, (ii) value-added services to non-property owners, (iii) community value-added services, and (iv) commercial operational management services, 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, residents and commercial property tenants. The Group's property management services primarily include (i) cleaning services, (ii) security services, (iii) landscaping services, and (iv) repair and maintenance services for both residential and non-residential properties and commercial properties.

- Value-added services to non-property owners. The Group offers a comprehensive range of property-related business solutions to non-property owners, which primarily include property developers. The Group's value-added services to non-property owners primarily consist of (i) sales assistance services (involving 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.

- Commercial operational management services. The Group provides commercial operational management services to the tenants and the customers, which primarily include (i) brand and management output services; and (ii) sublease services.

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 four 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 and quality 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 development. As of 31 December 2021, the Group's contracted GFA amounted to approximately 104.1 million sq.m., and the number of contracted projects totalled 444, representing an increase of 19.1% and 38.8%, respectively, compared with those as at 31 December 2020. For the year ended 31 December 2021, GFA under management reached approximately 71.0 million sq.m., and the number of projects under management totalled 358, representing an increase of approximately 72.0% and 53.0%, respectively, compared with those as at 31 December 2020.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the year ended 31 December 2021 and 2020:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Contracted GFA (’000 sq.m.) | GFA under management (’000 sq.m.) | Contracted GFA (’000 sq.m.) | GFA under management (’000 sq.m.) |
| As of the beginning of the period | **87,397** | **41,277** | 36,998 | 22,938 |
| New engagements[(1)] | **15,631** | **28,678** | 50,680 | 18,596 |
| Acquisitions[(2)] | **1,490** | **1,490** | – | – |
| Terminations[(3)] | **(463)** | **(463)** | (281) | (257) |
| As of the end of the period | **104,055** | **70,982** | 87,397 | 41,277 |

*Notes*:

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

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

(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 2021, the Group has expanded its geographic presence to 50 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 year ended 31 December 2021 and 2020 respectively:

| | **As at 31 December or for the year ended 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | **GFA under management** *('000 sq.m.)* | **Revenue** *RMB'000* | *%* | GFA under management *('000 sq.m.)* | Revenue *RMB'000* | *%* |
| Yangtze River Delta Region[(1)] | **22,754** | **336,610** | **51.1** | 17,683 | 274,695 | 56.4 |
| Bohai Rim Region[(2)] | **4,575** | **38,819** | **5.9** | 861 | 24,270 | 5.0 |
| Midwest Region[(3)] | **21,310** | **124,841** | **19.0** | 8,513 | 81,841 | 16.8 |
| Western Straits Region[(4)] | **22,343** | **158,058** | **24.0** | 14,220 | 105,988 | 21.8 |
| **Total** | **70,982** | **658,328** | **100.0** | 41,277 | 486,794 | 100.0 |

*Notes*:

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

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

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

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

### 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 2021, revenue from value-added services to non-property owners decreased by 10.6% to approximately RMB371.2 million compared to approximately RMB415.3 million in the same period of 2020, mainly due to the decreased demand for services such as sales assistance services and additional tailored services in the projects developed by the Group and the partner property developers. The revenue from value-added services to non-property owners accounted for 27.8% of the total revenue.

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

| | **For the year ended 31 December** | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Sales assistance services | **217,679** | **58.6** | 223,530 | 53.8 |
| Additional tailored services and sale of goods | **102,791** | **27.7** | 142,623 | 34.3 |
| Housing repair services | **32,671** | **8.8** | 32,253 | 7.8 |
| Preliminary planning and design consultancy services | **10,340** | **2.8** | 10,216 | 2.5 |
| Pre-delivery inspection services | **7,740** | **2.1** | 6,677 | 1.6 |
| **Total** | **371,221** | **100.0** | 415,299 | 100.0 |

## COMMUNITY VALUE-ADDED SERVICES

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

In 2021, the revenue from community value-added services increased by 31.8% to approximately RMB264.5 million compared to approximately RMB200.7 million in the same period of 2020, mainly due to the expansion of GFA under management and the increased demand for real estate brokerage services related to parking spaces. In 2021, revenue from community value-added services accounted for 19.8% of total revenue, representing an increase of approximately 1.6 percentage points as compared with the same period of 2020.

The following table sets forth the revenue breakdown of community value-added services for the year ended 31 December 2021 and 2020:

| | **For the year ended 31 December** | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Home-living services(1) | **125,646** | **47.5** | 118,923 | 59.3 |
| Car park management, leasing assistance and other services(2) | **119,946** | **45.4** | 67,437 | 33.6 |
| Common area value-added services(3) | **18,902** | **7.1** | 14,299 | 7.1 |
| **Total** | **264,494** | **100.0** | 200,659 | 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.

## COMMERCIAL OPERATIONAL MANAGEMENT SERVICES

On 19 May 2021, the Group entered into an agreement with members of Zhenro Properties Group, a connected person of the Company, to acquire in aggregate 99% equity interest in Zhenro Commercial Management at a total cash consideration of RMB891 million. Since 30 June 2021, Zhenro Commercial Management has been accounted for as a non-wholly owned subsidiary of the Company and its assets and liabilities has been consolidated into the Company's financial statements. During the Reporting Period, the Group provides commercial operational management services to the tenants and the customers, which primarily include (i) brand and management output services; and (ii) Sublease services.

As at 31 December 2021, the number of commercial operation projects under management of the Group reached 23, the total GFA under management of approximately 1.49 million sq.m. The commercial operation projects under management locate in Fuzhou, Changsha, Putian, Changzhou and Taixing. During the Reporting Period, Zhenro Commercial Management contributed RMB103.0 million to the Group's revenue, of which the revenue from commercial operational management services was approximately RMB41.7 million.

## FINANCIAL REVIEW

### Revenue

The Group's revenue is mainly derived from four major businesses: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) commercial operational management business. During the Reporting Period, the Group's revenue amounted to approximately RMB1,335.8 million, representing an increase of approximately 21.1% compared with RMB1,102.8 million in the same period of 2020.

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

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2021** | **Percentage of revenue** | 2020 | Percentage of revenue | Growth rate |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* | *%* |
| Property management services | **658,328** | **49.3** | 486,794 | 44.1 | 35.2 |
| Value-added services to non-property owners | **371,221** | **27.8** | 415,299 | 37.7 | -10.6 |
| Community value-added services | **264,494** | **19.8** | 200,659 | 18.2 | 31.8 |
| Commercial operational management services | **41,745** | **3.1** | | | |
| **Total** | **1,335,788** | **100.0** | 1,102,752 | 100.0 | 21.1 |

Property management services are still the largest source of income for the Group. For the year ended 31 December 2021, revenue from property management services reached approximately RMB658.3 million, accounting for 49.3% of the total revenue of the Group. Such revenue growth was attributable to the rapid growth of GFA under management, which was due to the Group's continuous cooperation with Zhenro Properties Group and its commitment to expanding the third-party customers base. The decrease in value-added services to non-property owners mainly due to the substantial decrease in the demand for services such as sales assistance services and additional tailored services. The increase in revenue from community value-added services was mainly due to the increase in GFA under management and the increased demand for real estate brokerage services related to parking spaces.

**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.

During the Reporting Period, the cost of sales of the Group was approximately RMB907.7 million, representing an increase of approximately 26.2% as compared with approximately RMB719.4 million in the same period of 2020. The increase in the cost of sales was mainly due to the rapid growth of the Group's business scale. The growth rate of the Group's cost of sales was higher than the growth rate of revenue, mainly due to the rapid increase in the labor costs and subcontracting costs for services to customers.

**Gross profit and gross profit margin**

During the Reporting Period, the Group's gross profit increased by approximately 11.7% from approximately RMB383.4 million for the same period in 2020 to approximately RMB428.1 million.

During the Reporting Period, the gross profit margin of the Group decreased by 2.8 percentage points to 32.0% from 34.8% for the same period in 2020.

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

| | **For the year ended 31 December** | | |
|---|---|---|---|
| | **2021** | 2020 | Changes in gross profit margin |
| | ***Gross profit margin*** | *Gross profit margin* | *percentage points* |
| | ***%*** | *%* | |
| Property management services | **24.3** | 23.2 | 1.1 |
| Value-added services to non-property owners | **18.5** | 32.6 | -14.1 |
| Community value-added services | **67.0** | 67.3 | -0.3 |
| Commercial operational management services | **52.9** | | |
| **Total** | **32.0** | 34.8 | -2.8 |

**Administrative expenses**

During the Reporting Period, the administrative expenses of the Group increased by approximately 3.8% from approximately RMB140.0 million for the same period in 2020 to approximately RMB145.4 million, mainly due to the expansion of the scale under management, and the increase was much lower than the revenue growth of the Group. During the Reporting Period, administrative expenses accounted for 10.9% of the revenue, representing a decrease of 1.8 percentage points as compared with 12.7% in the same period of 2020, mainly due to the one-off nature of the listing expenses of the Group incurred in the corresponding period in 2020 which were not repeated in 2021, and the implementation of sound cost control measures for the enhancement of the Group's operating efficiency.

**Income tax expenses**

During the Reporting Period, the income tax expenses of the Group decreased by approximately 9.6% from approximately RMB61.5 million for the same period in 2020 to approximately RMB55.6 million. The decrease in tax expenses was mainly due to the decrease in profit before tax, and some of the Group's subsidiaries enjoy preferential income tax rate.

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

During the Reporting Period, the profit and total comprehensive income attributable to owners of the parent company for the year was approximately RMB174.6 million, representing an increase of approximately 1.7% compared with approximately RMB171.6 million for the same period in 2020.

**Property and equipment**

The property and equipment of the Group mainly included machinery, electronic equipment, motor vehicles, leasehold improvements and other equipment. As of 31 December 2021, the property and equipment of the Group was approximately RMB7.6 million, representing an increase of approximately 7.8% as compared with approximately RMB7.0 million as at 31 December 2020.

**Trade receivables**

The Group's trade receivables mainly derive from revenue from property management services, value-added services to non-property owners and brand and management output services. As of 31 December 2021, the Group's trade receivables amounted to approximately RMB310.8 million, representing an increase of approximately 14.2% compared with approximately RMB272.1 million as of 31 December 2020. The increase was in line with the revenue growth as a result of undertaking new projects and the business expansion.

**Prepayments, other receivables and other assets**

The Group's prepayments, other receivables and other assets 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 2021, the Group's prepayments, other receivables and other assets amounted to approximately RMB56.4 million, representing an increase of approximately 76.3% compared with approximately RMB32.0 million as of 31 December 2020. The increase was due to the growth of the Group's business scale, which has led to the increase in deposits, security deposits and reserve funds required in the daily operations and transactions payments with business units.

**Trade payables**

As of 31 December 2021, the Group's trade payables amounted to approximately RMB202.1 million, representing an increase of approximately 21.3% from approximately RMB166.7 million as of 31 December 2020. The increase was mainly due to the growth of the Group's business scale and the increase in subcontracting services to independent third-party service providers.

## LIQUIDITY AND FINANCIAL RESOURCES

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

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

The Group's interest-bearing and other borrowings are all denominated in RMB and bore interest at fixed rates. As at 31 December 2021, the borrowings of the Group amounted to RMB118.1 million, compared to RMB27.4 million as at 31 December 2020. From the respective drawdown dates, the Group's interest-bearing and other borrowings repayable within one year were RMB87.5 million and repayable over one year were RMB30.6 million as at 31 December 2021, while repayable within one year were RMB14.0 million and repayable over one year were RMB13.4 million as at 31 December 2020. Except as disclosed herein and apart from intra-group liabilities, the Group did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans as at 31 December 2021.

## PLEDGE OF ASSETS

As of 31 December 2021, the Group's had the following bank borrowings which were secured by pledged assets as follows:

(1) RMB27,180,000 were secured by the pledge of 70% equity interest in a subsidiary, Jiangsu Sutie Property Management Co., Ltd. (31 December 2020: Nil);

(2) RMB20,000,000 were guaranteed by Zhenro Group Co., Ltd., a company controlled by the controlling shareholder.

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

## DEBT TO ASSET RATIO

The Group's debt to asset ratio calculated as total interest-bearing bank borrowings divided by total equity at the end of the respective period was approximately 0.08 times as of 31 December 2021 (as of 31 December 2020: approximately 0.02 times). Debt to asset ratio equals interest-bearing bank borrowings divided by total equity.

## CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent liabilities.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 19 May 2021, the Group entered into an agreement with members of Zhenro Properties Group, a connected person of the Company, to acquire in aggregate 99% equity interest in Zhenro Commercial Management at a total cash consideration of RMB891 million. Since 30 June 2021, Zhenro Commercial Management has been accounted for as a non-wholly owned subsidiary of the Company and its assets and liabilities has been consolidated into the Company's financial statements.

The consideration of RMB891 million was fully paid by the Group in 2021. As the net profit of Zhenro Commercial Management for 2021 exceeded RMB60 million, no adjustment to the consideration was required pursuant to the agreement.

Financial impact of the acquisition is summarised in note 16 on page 24 of this announcement. Details of the acquisition are set out in the Company's announcement of 19 May 2021 and circular of 9 June 2021.

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

Save as disclosed above, the Group did not have other material acquisition or disposal of subsidiaries or associated companies during the Reporting Period.

## SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2021, there was no significant investment held by the Group.

## FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, the Group had no plan for any material investments or capital assets.

## EMPLOYEES

As of 31 December 2021, the Group had approximately 5,034 employees (as of 31 December 2020: approximately 4,635 employees). As of 31 December 2021, the total staff costs were approximately RMB499.4 million (31 December 2020: approximately RMB395.3 million).

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

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

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

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

As set out in the announcement of the Company dated 19 May 2021, the Board had resolved to reallocate the net proceeds which were originally planned to be used on acquisition of and investment in other property management companies and community products and services as disclosed in the prospectus of the Company dated 29 June 2020, to the acquisition of Zhenro Commercial Management. The reallocated use of the net proceeds and the actual usage of the net proceeds up to 31 December 2021 are set out below:

| **Proposed use of Net Proceeds** | **Net Proceeds Reallocation**<br>*RMB million* | **Utilised Net Proceeds**<br>*RMB million* | **Unutilised Net Proceeds as of 31 December 2021**<br>*RMB million* | **Expected time of full utilisation** |
|---|---|---|---|---|
| Development of the Group's information management system | 228.3 | 55.2 | 173.1 | Before 31 December 2022 |
| Further development of the Group's "Rong Wisdom" (榮智慧) service software | 171.2 | 44.4 | 126.8 | Before 31 December 2022 |
| General business operations and working capital | 114.2 | 114.2 | – | Not applicable |
| Acquisition of Zhenro Commercial Management | 628.0 | 628.0 | – | Not applicable |
| **Total** | **1,141.7** | **841.8** | **299.9** | |

## OTHER INFORMATION

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

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

## FINAL DIVIDEND

After comprehensive consideration of the Group's distributable profits, financial position and retained profits for future development in 2021, the Board resolved not to recommend any final dividend for the year ended 31 December 2021.

## AGM AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 17 June 2022. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course. For the purpose of determination of eligibility to attend, speak and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to attend, speak and vote at the AGM to be held on Friday, 17 June 2022, 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 Monday, 13 June 2022.

## 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 in force from time to time as the basis of the Company's corporate governance practices. The information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2021.

Throughout the Reporting Period, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code in force during the Reporting Period and as at 31 December 2021. 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. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the Reporting Period.

## PUBLIC FLOAT

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

## AUDIT COMMITTEE

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

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

The Annual Results for the year ended 31 December 2021 had been reviewed by the Audit Committee before being recommended to the Board for approval.

The Audit Committee has reviewed and discussed the annual results of the Company for the year ended 31 December 2021 with the management and the external auditor of the Company. 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 2021 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 2021, but represents an extract from the consolidated financial statements for the year ended 31 December 2021 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 of the Board*

Hong Kong, 25 March 2022

*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.*