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zhenro 正榮地產

Zhenro Properties Group Limited

正榮地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6158)

zhenro 正榮服務

Zhenro Services Group Limited

正榮服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6958)

**CONTINUING
CONNECTED TRANSACTIONS**

**MAJOR AND
CONNECTED TRANSACTION**

**JOINT ANNOUNCEMENT
THE 2024 LEASE AGREEMENTS**

**Independent Financial Adviser to
Zhenro Properties**



紅日資本有限公司

RED SUN CAPITAL LIMITED

**Independent Financial Adviser to
Zhenro Services**



富強金融資本

FORTUNE FINANCIAL CAPITAL

THE 2024 LEASE AGREEMENTS

As the Existing Lease Agreements are due to expire on 31 December 2023, on 29 December 2023, members of the Zhenro Properties Group (as lessors) and members of the Zhenro Services Group (as lessees) entered into the 2024 Lease Agreements in respect of the lease of certain commercial properties for a term of two years from 1 January 2024 to 31 December 2025 (both days inclusive).

LISTING RULES IMPLICATIONS

In respect of Zhenro Properties

As at the date of this joint announcement, Zhenro Properties and Zhenro Services are indirectly owned as to approximately 45.73% by Mr. Ou and approximately 44.43% by Mr. Ou's family members. Members of Zhenro Services Group are therefore connected persons of Zhenro Properties under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Lease Agreements constitute continuing connected transactions for Zhenro Properties under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the annual rental income under the 2024 Lease Agreements, on an aggregated basis, exceeds 5% and the annual rental income exceeds HK\$10 million, the 2024 Lease Agreements and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of Zhenro Services

Pursuant to HKFRS 16, entering into the 2024 Lease Agreements as a lessee will require the Zhenro Services Group to recognise the right-of-use of the properties under the 2024 Lease Agreements as the right-of-use assets of an estimated aggregate value of approximately RMB134 million on its consolidated statement of financial position. Accordingly, entering into the 2024 Lease Agreements and the transactions contemplated thereunder will be regarded as an acquisition of assets by the Zhenro Services Group under the Listing Rules.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the acquisition of right-of-use assets to be recognized by the Zhenro Services Group under the 2024 Lease Agreements exceeds 25% but is less than 100%, the 2024 Lease Agreements and the transactions contemplated thereunder constitute a major transaction for Zhenro Services and is subject to the reporting, announcement, circular, and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this joint announcement, Zhenro Properties and Zhenro Services are indirectly owned as to approximately 45.73% by Mr. Ou and approximately 44.43% by Mr. Ou's family members. Members of Zhenro Properties Group are therefore connected persons of Zhenro Services under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Lease Agreements constitute connected transactions for Zhenro Services under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

In respect of Zhenro Properties

Zhenro Properties will convene and hold the Zhenro Properties EGM for the Zhenro Properties Independent Shareholders to consider and, if thought fit, to approve the 2024 Lease Agreements and the transactions contemplated thereunder.

Zhenro Properties has established the Zhenro Properties IBC comprising all three independent non-executive directors of Zhenro Properties to advise the Zhenro Properties Independent Shareholders as to whether the terms of each of the 2024 Lease Agreements and the transactions contemplated thereunder are fair and reasonable, and whether the respective transactions contemplated thereunder (including the annual rent) are on normal commercial terms, in the ordinary and usual course of business of the Zhenro Properties Group and in the interests of Zhenro Properties and its shareholders as a whole, and to advise the Zhenro Properties Independent Shareholders on how to vote at the Zhenro Properties EGM, after taking into account the recommendations of the Zhenro Properties IFA.

Red Sun Capital Limited has been appointed as the Zhenro Properties IFA by Zhenro Properties to advise the Zhenro Properties IBC and the Zhenro Properties Independent Shareholders in this regard. A circular containing, among other things, (i) a letter from the Zhenro Properties Board containing further information on the 2024 Lease Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Zhenro Properties IBC to the Zhenro Properties Independent Shareholders; (iii) a letter of advice from the Zhenro Properties IFA to the Zhenro Properties IBC and the Zhenro Properties Independent Shareholders; and (iv) a notice convening the Zhenro Properties EGM together with the proxy form, will be despatched to the shareholders of Zhenro Properties as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched on or before 9 February 2024 to allow sufficient time for the preparation of the relevant information for inclusion therein.

In respect of Zhenro Services

Zhenro Services will convene and hold the Zhenro Services EGM for the Zhenro Services Independent Shareholders to consider and, if thought fit, to approve the 2024 Lease Agreements and the transactions contemplated thereunder.

Zhenro Services has established the Zhenro Services IBC comprising all three independent non-executive directors of Zhenro Services to advise the Zhenro Services Independent Shareholders as to whether the terms of each of the 2024 Lease Agreements and the transactions contemplated thereunder are fair and reasonable, and whether the respective transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Zhenro Services Group and in the interests of Zhenro Services and its shareholders as a whole, and to advise the Zhenro Services Independent Shareholders on how to vote at the Zhenro Services EGM, after taking into account the recommendations of the Zhenro Services IFA.

Fortune Financial Capital Limited has been appointed as the Zhenro Services IFA by Zhenro Services to advise the Zhenro Services IBC and the Zhenro Services Independent Shareholders in this regard.

A circular containing, among other things, (i) a letter from the Zhenro Services Board containing further information on the 2024 Lease Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Zhenro Services IBC to the Zhenro Services Independent Shareholders; (iii) a letter of advice from the Zhenro Services IFA to the Zhenro Services IBC and the Zhenro Services Independent Shareholders; and (iv) a notice convening the Zhenro Services EGM together with the proxy form, will be despatched to the shareholders of Zhenro Services as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched on or before 9 February 2024 to allow sufficient time for the preparation of the relevant information for inclusion therein.

1. THE 2024 LEASE AGREEMENTS

Reference is made to the joint announcement of Zhenro Properties and Zhenro Services dated 19 May 2021 in relation to, among others, the Existing Lease Agreements. As the Existing Lease Agreements are due to expire on 31 December 2023, on 29 December 2023, members of the Zhenro Properties Group (as lessors) and members of the Zhenro Services Group (as lessees) entered into the 2024 Lease Agreements in respect of the lease of certain commercial properties for a term of two years from 1 January 2024 to 31 December 2025 (both days inclusive).

1.1 2024 Putian Fortune Centre Lease Agreement

Certain principal terms of the 2024 Putian Fortune Centre Lease Agreement are set out below:

Date	:	29 December 2023
Parties	:	(a) Zhenro Real Estate (Fujian), as lessor (b) Zhenro Commercial Management (Putian), as lessee
Particulars of the property	:	No. 1688, Liyuan East Road, Zhenhai Street, Licheng District, Putian City* (莆田市荔城區鎮海街道荔園東路1688號), which is known as “Putian Fortune Centre* (莆田財富中心)”
Term of the lease	:	1 January 2024 to 31 December 2025 (both dates inclusive)
Total site area	:	218,649.03 square meters

Annual rent	:	For the year ending 31 December		
		2024	2025	
		<i>(RMB)</i>		

Annual rent	39,357,439.91	40,538,163.11
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The annual rent under the 2024 Putian Fortune Centre Lease Agreement payable by the lessee to the lessor was determined after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the property. After a professional urban market research on the prognosis of the commercial development of Putian, combined with the current rents under the lease contracts of all tenants of the property and the cost incurred in commercial operational management, a sublease model is adopted by Zhenro Commercial Management (Putian) for the commercial operational management of the property developed by Zhenro Properties, and the rental cost of "Putian Fortune Centre* (莆田财富中心)" is determined to be RMB39,357,439.91 for 2024. The annual rent for the year ending 31 December 2025 represents an increment of 3% from the annual rent of the year ending 31 December 2024.

Historical transaction amounts	:	For the year ending 31 December		
		2021	2022	2023
		<i>(RMB)</i>		

Annual rent	35,698,357	37,483,275	39,357,439
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The historical amount for each year was the relevant portion of annual rent paid by the lessee to the lessor under the Existing Lease Agreement (Putian) in respect of "Putian Fortune Centre* (莆田财富中心)".

Payment terms : The rent payable under the 2024 Putian Fortune Centre Lease Agreement shall be payable by the lessee to the lessor in equal sum, representing 50% of the annual rent, on a bi-annual basis.

Conditions precedent : The 2024 Putian Fortune Centre Lease Agreement shall be conditional upon:

- (a) Zhenro Properties having fulfilled its obligations under the Listing Rules in respect of the 2024 Putian Fortune Centre Lease Agreement, including but not limited to obtaining approval from the Zhenro Properties Independent Shareholders; and
- (b) Zhenro Services having fulfilled its obligations under the Listing Rules in respect of the 2024 Putian Fortune Centre Lease Agreement, including but not limited to obtaining approval from the Zhenro Services Independent Shareholders.

Each of the parties shall use its best endeavours to procure the fulfilment of the conditions above. None of the conditions above may be waived by the parties.

In the event that any of the conditions above are not fulfilled by 31 March 2024 (or such later date as the parties may agree in writing), all rights, obligations and liabilities of the parties to the 2024 Putian Fortune Centre Lease Agreement shall cease and terminate and neither party shall have any claim against the other in respect of the 2024 Putian Fortune Centre Lease Agreement save for any antecedent breach and/or any rights or obligations which may have accrued thereunder prior to such termination.

Further assurance : Each party shall from time to time upon the request of the other party execute any additional documents and do any other acts or things (including without limitation, making amendments to and/or suspending the term of the 2024 Putian Fortune Centre Lease Agreement) which may reasonably be required to ensure that each of Zhenro Properties and Zhenro Services will be in compliance with the Listing Rules in respect of the 2024 Putian Fortune Centre Lease Agreement and the transactions contemplated thereunder.

1.2 2024 Putian Street Lease Agreement

Certain principal terms of the 2024 Putian Street Lease Agreement are set out below:

Date	:	29 December 2023												
Parties	:	(a) Zhenro Real Estate (Fujian), as lessor (b) Zhenro Commercial Management (Putian), as lessee												
Particulars of the property	:	South Zone, No. 1688, Liyuan East Road, Zhenhai Street, Licheng District, Putian City* (莆田市荔城區鎮海街道荔園東路 1688號南區), which is known as “Putian Zhenro Street* (莆田正榮街)”												
Term of the lease	:	1 January 2024 to 31 December 2025 (both dates inclusive)												
Total site area	:	32,115.8 square meters												
Annual rent	:	<table><thead><tr><th></th><th colspan="2">For the year ending 31 December</th></tr><tr><th></th><th>2024</th><th>2025</th></tr><tr><th></th><th colspan="2"><i>(RMB)</i></th></tr></thead><tbody><tr><td>Annual rent</td><td>10,779,298.84</td><td>11,102,677.80</td></tr></tbody></table>		For the year ending 31 December			2024	2025		<i>(RMB)</i>		Annual rent	10,779,298.84	11,102,677.80
	For the year ending 31 December													
	2024	2025												
	<i>(RMB)</i>													
Annual rent	10,779,298.84	11,102,677.80												

The annual rent under the 2024 Putian Street Lease Agreement payable by the lessee to the lessor was determined after arm’s length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the property. After a professional urban market research on the prognosis of the commercial development of Putian, combined with the current rents under the lease contracts of all tenants of the property and the cost incurred in commercial operational management, a sublease model is adopted by the Zhenro Commercial Management (Putian) for the commercial operational management of the property developed by Zhenro Properties, and the rental cost of “Putian Zhenro Street* (莆田正榮街)” is determined to be RMB10,779,298.84 for 2024. The annual rent for the year ending 31 December 2025 represents an increment of 3% from the annual rent of the year ending 31 December 2024.

Historical transaction amounts	For the year ending 31 December		
	2021	2022	2023

(RMB)

Annual rent	9,777,143	10,266,000	10,779,300
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The historical amount for each year was the relevant portion of annual rent paid by the lessee to the lessor under the Existing Lease Agreement (Putian) in respect of “Putian Zhenro Street* (莆田正榮街)”.

Payment terms : The rent payable under the 2024 Putian Street Lease Agreement shall be payable by the lessee to the lessor in equal sum, representing 50% of the annual rent, on a bi-annual basis.

Conditions precedent : The 2024 Putian Street Lease Agreement shall be conditional upon:

- (a) Zhenro Properties having fulfilled its obligations under the Listing Rules in respect of the 2024 Putian Street Lease Agreement, including but not limited to obtaining approval from the Zhenro Properties Independent Shareholders; and
- (b) Zhenro Services having fulfilled its obligations under the Listing Rules in respect of the 2024 Putian Street Lease Agreement, including but not limited to obtaining approval from the Zhenro Services Independent Shareholders.

Each of the parties shall use its best endeavours to procure the fulfilment of the conditions above. None of the conditions above may be waived by the parties.

In the event that any of the conditions above are not fulfilled by 31 March 2024 (or such later date as the parties may agree in writing), all rights, obligations and liabilities of the parties to the 2024 Putian Street Lease Agreement shall cease and terminate and neither party shall have any claim against the other in respect of the 2024 Putian Street Lease Agreement save for any antecedent breach and/or any rights or obligations which may have accrued thereunder prior to such termination.

Further assurance : Each party shall from time to time upon the request of the other party execute any additional documents and do any other acts or things (including without limitation, making amendments to and/or suspending the term of the 2024 Putian Street Lease Agreement) which may reasonably be required to ensure that each of Zhenro Properties and Zhenro Services will be in compliance with the Listing Rules in respect of the 2024 Putian Street Lease Agreement and the transactions contemplated thereunder.

1.3 2024 Fuzhou Mabao Lease Agreement

Certain principal terms of the 2024 Fuzhou Mabao Lease Agreement are set out below:

Date : 29 December 2023

Parties : (a) Zhenro Minhou Investment, as lessor
(b) Zhenro Commercial Management (Fuzhou), as lessee

Particulars of the property : No. 18, Xinbao Road, Mabao Village, Shangjie Town, Minhou County, Fuzhou City* (福州市閩侯縣上街鎮馬保村新保路18號), which is known as “Fuzhou Mabao Zhenro Fortune Centre* (福州馬保正榮財富中心)”

Term of the lease : 1 January 2024 to 31 December 2025 (both dates inclusive)

Total site area : 57,360.29 square meters

Annual rent :

		For the year ending 31 December	
		2024	2025
		<i>(RMB)</i>	
Annual rent		18,499,950	19,054,948.5

The annual rent under the 2024 Fuzhou Mabao Lease Agreement was determined after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the property. After a professional urban market research on the prognosis of the commercial development of Fuzhou, combined with the current rents under the lease contracts of all tenants of the property and the cost incurred in commercial operational management, a sublease model is adopted by Zhenro Commercial Management (Fuzhou) for the commercial operational management of the property developed by Zhenro Properties, and the rental cost of Fuzhou Mabao Zhenro Fortune Centre* (福州馬保正榮財富中心) is determined to be RMB18,499,950 for 2024. The annual rent for the year ending 31 December 2025 represents an increment of 3% from the annual rent of the year ending 31 December 2024.

Historical transaction amounts	For the year ending 31 December		
	2021	2022	2023
	<i>(RMB)</i>		
Annual rent	16,780,000	17,619,000	18,499,950

The historical amount for each year was the annual rent paid by the lessee to the lessor under the Existing Lease Agreement (Fuzhou Mabao).

Payment terms : The rent payable under the 2024 Fuzhou Mabao Lease Agreement shall be payable by the lessee to the lessor in equal sum, representing 50% of the annual rent, on a bi-annual basis.

Conditions precedent : The 2024 Fuzhou Mabao Lease Agreement shall be conditional upon:

(a) Zhenro Properties having fulfilled its obligations under the Listing Rules in respect of the 2024 Fuzhou Mabao Lease Agreement, including but not limited to obtaining approval from the Zhenro Properties Independent Shareholders; and

- (b) Zhenro Services having fulfilled its obligations under the Listing Rules in respect of the 2024 Fuzhou Mabao Lease Agreement, including but not limited to obtaining approval from the Zhenro Services Independent Shareholders.

Each of the parties shall use its best endeavours to procure the fulfilment of the conditions above. None of the conditions above may be waived by the parties.

In the event that any of the conditions above are not fulfilled by 31 March 2024 (or such later date as the parties may agree in writing), all rights, obligations and liabilities of the parties to the 2024 Fuzhou Mabao Lease Agreement shall cease and terminate and neither party shall have any claim against the other in respect of the 2024 Fuzhou Mabao Lease Agreement save for any antecedent breach and/or any rights or obligations which may have accrued thereunder prior to such termination.

Further assurance : Each party shall from time to time upon the request of the other party execute any additional documents and do any other acts or things (including without limitation, making amendments to and/or suspending the term of the 2024 Fuzhou Mabao Lease Agreement) which may reasonably be required to ensure that each of Zhenro Properties and Zhenro Services will be in compliance with the Listing Rules in respect of the 2024 Fuzhou Mabao Lease Agreement and the transactions contemplated thereunder.

1.4 2024 Fuzhou Mawei Lease Agreement

Certain principal terms of the 2024 Fuzhou Mawei Lease Agreement are set out below:

Date : 29 December 2023

Parties : (a) Zhenro Real Estate (Mawei), as lessor
(b) Zhenro Commercial Management (Fuzhou Mawei), as lessee

Particulars of the property : Zhenro Fortune Centre, No.168 Shangqi Road, Luoxing Street, Mawei District, Fuzhou* (福州市馬尾區羅星街道上岐路168 號正榮財富中心), which is known as “Fuzhou Mawei Zhenro Fortune Centre* (福州馬尾正榮財富中心)”

Term of the lease : 1 January 2024 to 31 December 2025 (both dates inclusive)

Total site area : 19,738.41 square meters

Annual rent : **For the year ending 31 December**
2024 **2025**
(RMB)

Annual rent 1,212,750 1,249,132.5

The annual rent under the 2024 Fuzhou Mawei Lease Agreement was determined after arm’s length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the property. After a professional urban market research on the prognosis of the commercial development of Fuzhou, combined with the current rents under the lease contracts of all tenants of the property and the cost incurred in commercial operational management, a sublease model is adopted by Zhenro Commercial Management (Fuzhou Mawei) for the commercial operational management of the property developed by Zhenro Properties, and the rental cost of Fuzhou Mawei Zhenro Fortune Centre* (福州馬尾正榮財富中心) is determined to be RMB1,212,750 for 2024. The annual rent for the year ending 31 December 2025 represents an increment of 3% from the annual rent of the year ending 31 December 2024.

Historical transaction amounts : **For the year ending 31 December**
2021 **2022** **2023**
(RMB)

Historical annual rent 1,100,000 1,155,000 1,212,750

The historical amount for each year was the annual rent paid by the lessee to the lessor under the Existing Lease Agreement (Fuzhou Mawei).

Payment terms : The rent payable under the 2024 Fuzhou Mawei Lease Agreement shall be payable by the lessee to the lessor in equal sum, representing 50% of the annual rent, on a bi-annual basis.

Condition precedent : The 2024 Fuzhou Mawei Lease Agreement shall be conditional upon:

- (a) Zhenro Properties having fulfilled its obligations under the Listing Rules in respect of the 2024 Fuzhou Mawei Lease Agreement, including but not limited to obtaining approval from the Zhenro Properties Independent Shareholders; and
- (b) Zhenro Services having fulfilled its obligations under the Listing Rules in respect of the 2024 Fuzhou Mawei Lease Agreement, including but not limited to obtaining approval from the Zhenro Services Independent Shareholders.

Each of the parties shall use its best endeavours to procure the fulfilment of the conditions above. None of the conditions above may be waived by the parties.

In the event that any of the conditions above are not fulfilled by 31 March 2024 (or such later date as the parties may agree in writing), all rights, obligations and liabilities of the parties to the 2024 Fuzhou Mawei Lease Agreement shall cease and terminate and neither party shall have any claim against the other in respect of the 2024 Fuzhou Mawei Lease Agreement save for any antecedent breach and/or any rights or obligations which may have accrued thereunder prior to such termination.

Further assurance : Each party shall from time to time upon the request of the other party execute any additional documents and do any other acts or things (including without limitation, making amendments to and/or suspending the term of the 2024 Fuzhou Mawei Lease Agreement) which may reasonably be required to ensure that each of Zhenro Properties and Zhenro Services will be in compliance with the Listing Rules in respect of the 2024 Fuzhou Mawei Lease Agreement and the transactions contemplated thereunder.

2. REASONS FOR AND BENEFITS OF THE 2024 LEASE AGREEMENTS

2.1 The Zhenro Properties Board's view

The three projects for which the Zhenro Services Group intends to continue upon the expiry of the Existing Lease Agreements are Putian Fortune Center* (莆田財富中心) (including “Putian Zhenro Street* (莆田正榮街)”), Fuzhou Mabao Zhenro Fortune Centre* (福州馬保正榮財富中心) and Fuzhou Mawei Zhenro Fortune Centre* (福州馬尾正榮財富中心). Since the opening of the above commercial properties, each of the Lessees has been providing high-quality business management services to Zhenro Properties, and together they have won several recognitions in the industry with excellent past performance, including “Annual City Promotion Award for China Shopping Centres (中國購物中心年度城市推動獎)”, “TOP10 Quality Commerce (品質型商業)” and “2021 Golden Light Award” for Putian Wealth Center* (莆田財富中心), as well as “Shopping Centre in the Garden” for Fuzhou Zhenro Fortune Centre. The core business of Zhenro Properties is real estate development and sales, while each of the Lessees has extensive experience in commercial operational management of these properties, which gives them a competitive edge in this industry. In view of the outstanding past performance of each of the Lessees, the Zhenro Properties Group has decided to enter into the 2024 Lease Agreements with the Lessees such that there is no disruption to the existing arrangement currently in force. The Zhenro Properties Board is also of the view that the 2024 Lease Agreements will enable the Zhenro Properties Group to receive a stable rental income and diversify operational risks on the commercial properties, and to save labour costs and operating costs in managing leases with individual tenants.

The Zhenro Properties Board (excluding the independent non-executive directors of Zhenro Properties who will express their opinion after taking into consideration the advice of the Zhenro Properties IFA) is of the view that the terms of the 2024 Lease Agreements and the respective transactions contemplated thereunder (including the annual rent) are fair and reasonable, on normal commercial terms and in the interests of Zhenro Properties and its shareholders as a whole.

Mr. Ou Guowei is a non-executive director of Zhenro Properties and is also a son of Mr. Ou, who is the controlling shareholder of Zhenro Properties. Mr. Ou Guowei also indirectly owns approximately 25.13% of the issued shares of Zhenro Services as at the date of this joint announcement. As such, Mr. Ou Guowei is or may be regarded as having interest in respect of the relevant board resolutions in connection with the 2024 Lease Agreements. As a good corporate governance practice, Mr. Ou Guowei had abstained from voting on the relevant resolutions of the Zhenro Properties Board approving the 2024 Lease Agreements.

Mr. Liu Weiliang is an executive director of Zhenro Properties and a non-executive director of Zhenro Services. As a good corporate governance practice, Mr. Liu Weiliang had also abstained from voting on the relevant resolutions of the Zhenro Properties Board approving the 2024 Lease Agreements.

Save for the aforesaid, none of the other Zhenro Properties Directors had or may be regarded as having a material interest in the 2024 Lease Agreements and the respective transactions contemplated thereunder, and therefore none of the other Zhenro Properties Directors had abstained from voting on the relevant resolutions of the Zhenro Properties Board.

2.2 The Zhenro Services Board's view

The three projects for which the Zhenro Services Group intends to continue upon the expiry of the Existing Lease Agreements are Putian Fortune Center* (莆田財富中心) (including “Putian Zhenro Street* (莆田正榮街)”), Fuzhou Mabao Zhenro Fortune Centre* (福州馬保正榮財富中心) and Fuzhou Mawei Zhenro Fortune Centre* (福州馬尾正榮財富中心). Since the Zhenro Services Group's acquisition of Zhenro Commercial Management in 2021, it has engaged in the provision of commercial operational management services to tenants and customers, including without limitation, sublease services in respect of the said three properties. The entering into of the 2024 Lease Agreements will enable Zhenro Services to continue to provide sublease services in its ordinary course of business without disruption to the existing sub-lease arrangements, which will expand the revenue base of the Zhenro Services Group.

The Zhenro Services Board (excluding the independent non-executive directors of Zhenro Services who will express their opinion after taking into consideration the advice of the Zhenro Services IFA) is of the view that the terms of the 2024 Lease Agreements and the transactions contemplated thereunder (including the annual rent) are fair and reasonable, on normal commercial terms and in the interests of Zhenro Services and its shareholders as a whole.

Mr. Liu Weiliang is an executive director of Zhenro Properties and a non-executive director of Zhenro Services. As a good corporate governance practice, Mr. Liu Weiliang had abstained from voting on the relevant resolutions of the Zhenro Services Board approving the 2024 Lease Agreements.

Save for the aforesaid, none of the other Zhenro Services Directors had or may be regarded as having a material interest in the 2024 Lease Agreements and the respective transactions contemplated thereunder, and therefore none of the other Zhenro Services Directors had abstained from voting on the relevant resolutions of the Zhenro Services Board.

3. INFORMATION ON THE PARTIES

3.1 Zhenro Properties Group

Zhenro Properties is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange. Zhenro Properties is an investing holding company. Zhenro Properties Group is principally engaged in property development and property leasing. The ultimate controlling shareholder of Zhenro Properties is Mr. Ou.

Each of Zhenro Real Estate (Fujian), Zhenro Real Estate (Mawei) and Zhenro Minhou Investment is a company established in the PRC with limited liability and an wholly-owned subsidiary of Zhenro Properties, and is principally engaged in real estate development and sales.

3.2 Zhenro Services Group

Zhenro Services is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange. Zhenro Services Group is principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services and commercial property management services. Mr. Ou Guoqiang and Mr. Ou Guowei, each being a son of Mr. Ou, through their respective investment companies, own an aggregate of approximately 44.43% of the issued shares of Zhenro Services as at the date of this joint announcement.

Each of the Lessees is a company established in the PRC with limited liability and wholly-owned by Zhenro Commercial Management, which is in turn owned as to 99% by Zhenro Services and 1% by Zero Origin Limited. To the best of the knowledge, information and belief of the Zhenro Properties Board and the Zhenro Services Board, and having made all reasonable enquiries, (i) Zero Origin is principally engaged in investment holding and is ultimately beneficially owned by Mr. Liu Pingshan, Mr. Wang Zhiming and other individuals or entities (each holding not more than 10% equity interests in Zero Origin); (ii) Mr. Liu Pingshan and Mr. Wang Zhiming are controlling shareholders of Shan Tian Investment Company Limited, which in turn owns 24.4% of the issued share capital of Zhenro Services; and (iii) Zero Origin and its ultimate beneficial owners are independent third parties of Zhenro Properties.

Each of the Lessees is principally engaged in commercial operational management and property consultancy services in the PRC.

4. LISTING RULES IMPLICATIONS

4.1 In respect of Zhenro Properties

As at the date of this joint announcement, Zhenro Properties and Zhenro Services are indirectly owned as to approximately 45.73% by Mr. Ou and approximately 44.43% by Mr. Ou's family members. Members of Zhenro Services Group are therefore connected persons of Zhenro Properties under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Lease Agreements constitute continuing connected transactions for Zhenro Properties under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the annual rental income under the 2024 Lease Agreements, on an aggregated basis, exceeds 5% and the annual rental income exceeds HK\$10 million, the 2024

Lease Agreements and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4.2 In respect of Zhenro Services

Pursuant to HKFRS 16, entering into the 2024 Lease Agreements as a lessee will require the Zhenro Services Group to recognise the right-of-use of the properties under the 2024 Lease Agreements as the right-of-use assets of an estimated aggregate value of approximately RMB134 million on its consolidated statement of financial position. Accordingly, entering into the 2024 Lease Agreements and the transactions contemplated thereunder will be regarded as an acquisition of assets by the Zhenro Services Group under the Listing Rules.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the acquisition of right-of-use assets to be recognized by the Zhenro Services Group under the 2024 Lease Agreements exceeds 25% but is less than 100%, the 2024 Lease Agreements and the transactions contemplated thereunder constitute a major transaction for Zhenro Services and is subject to the reporting, announcement, circular, and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this joint announcement, Zhenro Properties and Zhenro Services are indirectly owned as to approximately 45.73% by Mr. Ou and approximately 44.43% by Mr. Ou's family members. Members of Zhenro Properties Group are therefore connected persons of Zhenro Services under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Lease Agreements constitute connected transactions for Zhenro Services under Chapter 14A of the Listing Rules, which are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. INTERNAL CONTROL MEASURES OF ZHENRO PROPERTIES

- (a) Prior to entering into the 2024 Lease Agreements, the Zhenro Properties Group has obtained market information through various channels, review the quotes for properties of similar conditions in the vicinity of the properties under the 2024 Lease Agreements and compare them with the quotes offered by the Zhenro Services Group, so as to ensure that the rent charged by the Zhenro Properties Group from the Zhenro Services Group are fair and reasonable and on normal commercial terms.
- (b) The operation department of Zhenro Properties will conduct regular checks on a monthly basis to monitor the performance of the terms and conditions of the 2024 Lease Agreements by the Lessees, to ensure that the Lessees will not receive more preferential treatment as compared to that received by independent third party lessees. For instance, the operation department of

Zhenro Properties will check whether the Lessees discharge their payment obligations punctually, obtain the required licenses for their operations as required under the 2024 Lease Agreements and use the properties in a safe, reasonable and proper manner.

- (c) The risk control and compliance department of Zhenro Properties will conduct annual review and assessment of the internal control procedures of the Zhenro Properties Group, including but not limited to the review on whether the transactions are conducted in accordance with the terms of the 2024 Lease Agreements.
- (d) The independent non-executive directors and the external auditors of Zhenro Properties will also conduct annual review on the transactions contemplated under the 2024 Lease Agreements in accordance with the Listing Rules.

6. GENERAL

6.1 In respect of Zhenro Properties

Zhenro Properties will convene and hold the Zhenro Properties EGM for the Zhenro Properties Independent Shareholders to consider and, if thought fit, to approve the 2024 Lease Agreements and the transactions contemplated thereunder.

Zhenro Properties has established the Zhenro Properties IBC comprising all three independent non-executive directors of Zhenro Properties to advise the Zhenro Properties Independent Shareholders as to whether the terms of each of the 2024 Lease Agreements and the transactions contemplated thereunder are fair and reasonable, and whether the respective transactions contemplated thereunder (including the annual rent) are on normal commercial terms, in the ordinary and usual course of business of the Zhenro Properties Group and in the interests of Zhenro Properties and its shareholders as a whole, and to advise the Zhenro Properties Independent Shareholders on how to vote at the Zhenro Properties EGM, after taking into account the recommendations of the Zhenro Properties IFA.

Red Sun Capital Limited has been appointed as the Zhenro Properties IFA by Zhenro Properties to advise the Zhenro Properties IBC and the Zhenro Properties Independent Shareholders in this regard.

A circular containing, among other things, (i) a letter from the Zhenro Properties Board containing further information on the 2024 Lease Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Zhenro Properties IBC to the Zhenro Properties Independent Shareholders; (iii) a letter of advice from the Zhenro Properties IFA to the Zhenro Properties IBC and the Zhenro Properties Independent Shareholders; and (iv) a notice convening the Zhenro Properties EGM together with the proxy form, will be despatched to the shareholders of Zhenro Properties as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched on or before 9 February 2024 to allow sufficient time for the preparation of the relevant information for inclusion therein.

6.2 In respect of Zhenro Services

Zhenro Services will convene and hold the Zhenro Services EGM for the Zhenro Services Independent Shareholders to consider and, if thought fit, to approve the 2024 Lease Agreements and the transactions contemplated thereunder.

Zhenro Services has established the Zhenro Services IBC comprising all three independent non-executive directors of Zhenro Services to advise the Zhenro Services Independent Shareholders as to whether the terms of each of the 2024 Lease Agreements and the transactions contemplated thereunder are fair and reasonable, and whether the respective transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Zhenro Services Group and in the interests of Zhenro Services and its shareholders as a whole, and to advise the Zhenro Services Independent Shareholders on how to vote at the Zhenro Services EGM, after taking into account the recommendations of the Zhenro Services IFA.

Fortune Financial Capital Limited has been appointed as the Zhenro Services IFA by Zhenro Services to advise the Zhenro Services IBC and the Zhenro Services Independent Shareholders in this regard.

A circular containing, among other things, (i) a letter from the Zhenro Services Board containing further information on the 2024 Lease Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Zhenro Services IBC to the Zhenro Services Independent Shareholders; (iii) a letter of advice from the Zhenro Services IFA to the Zhenro Services IBC and the Zhenro Services Independent Shareholders; and (iv) a notice convening the Zhenro Services EGM together with the proxy form, will be despatched to the shareholders of Zhenro Services as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched on or before 9 February 2024 to allow sufficient time for the preparation of the relevant information for inclusion therein.

DEFINITIONS

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

“2024 Lease Agreements”	collectively, the 2024 Fuzhou Mabao Lease Agreement, the 2024 Fuzhou Mawei Lease Agreement, the 2024 Putian Fortune Centre Lease Agreement and the 2024 Putian Street Lease Agreement
“2024 Fuzhou Mabao Lease Agreement”	the lease management agreement dated 29 December 2023 entered into between Zhenro Minhou Investment and Zhenro Commercial Management (Fuzhou) in relation to the lease of the property known as “Fuzhou Mabao Zhenro Fortune Centre* (福州馬保正榮財富中心)”

“2024 Fuzhou Mawei Lease Agreement”	the lease management agreement dated 29 December 2023 entered into between Zhenro Real Estate (Mawei) and Zhenro Commercial Management (Fuzhou Mawei) in relation to the lease of the property known as “Fuzhou Mawei Zhenro Fortune Centre* (福州馬尾正榮財富中心)”
“2024 Putian Fortune Centre Lease Agreement”	the lease management agreement dated 29 December 2023 entered into between Zhenro Real Estate (Fujian) and Zhenro Commercial Management (Putian) in relation to the lease of the property known as “Putian Fortune Centre* (莆田財富中心)”
“2024 Putian Street Lease Agreement”	the lease management agreement dated 29 December 2023 entered into between Zhenro Real Estate (Fujian) and Zhenro Commercial Management (Putian) in relation to the lease of the property known as “Putian Zhenro Street* (莆田正榮街)”
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Existing Lease Agreements”	collectively, the Existing Lease Agreement (Putian), Existing Lease Agreement (Fuzhou Mabao) and Existing Lease Agreement (Fuzhou Mawei)
“Existing Lease Agreement (Fuzhou Mabao)”	the lease management agreement dated 16 December 2020 entered into between Zhenro Minhou Investment and Zhenro Commercial Management (Fuzhou) in relation to the lease of the property known as “Fuzhou Mabao Zhenro Fortune Centre* (福州馬保正榮財富中心)”
“Existing Lease Agreement (Fuzhou Mawei)”	the lease management agreement dated 16 December 2020 entered into between Zhenro Real Estate (Mawei) and Zhenro Commercial Management (Fuzhou Mawei) in relation to the lease of the property known as “Fuzhou Mawei Zhenro Fortune Centre* (福州馬尾正榮財富中心)”
“Existing Lease Agreement (Putian)”	the lease management agreement dated 10 December 2020 entered into between Zhenro Real Estate (Fujian) and Zhenro Commercial Management (Putian) in relation to the lease of the property known as “Putian Fortune Centre* (莆田財富中心)” (including “Putian Zhenro Street* (莆田正榮街)”)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“independent third party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with Zhenro Properties and its subsidiaries and/or Zhenro Services and its subsidiaries, and their respective connected persons, ultimate beneficial owner(s) or associates
“Lessees”	collectively, Zhenro Commercial Management (Fuzhou), Zhenro Commercial Management (Fuzhou Mawei) and Zhenro Commercial Management (Putian)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ou”	Mr. Ou Zongrong
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Zero Origin”	Zero Origin Limited, a company incorporated in Hong Kong with limited liability
“Zhenro Commercial Management”	Zhenro Commercial Management Co., Ltd.* (正榮商業管理有限公司), a company established in the PRC with limited liability and is owned as to 99% by Zhenro Services and 1% by Zero Origin
“Zhenro Commercial Management (Fuzhou)”	Fuzhou Zhenro Commercial Management Co., Ltd* (福州正榮商業管理有限公司), a company established in the PRC and an indirect non wholly-owned subsidiary of Zhenro Services
“Zhenro Commercial Management (Fuzhou Mawei)”	Fuzhou Mawei Zhenro Commercial Management Co., Ltd* (福州市馬尾區正榮商業管理有限公司), a company established in the PRC and an indirect non wholly-owned subsidiary of Zhenro Services
“Zhenro Commercial Management (Putian)”	Zhenro (Putian) Commercial Management Co., Ltd* (正榮(莆田)商業管理有限公司), a company established in the PRC and an indirect non wholly-owned subsidiary of Zhenro Services

“Zhenro Minhou Investment”	Zhenro (Minhou) Investment Development Co., Ltd* (正榮(閩侯)投資發展有限公司), a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties
“Zhenro Properties”	Zhenro Properties Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6158)
“Zhenro Properties Board”	the board of directors of Zhenro Properties
“Zhenro Properties Director(s)”	the director(s) of Zhenro Properties
“Zhenro Properties EGM”	the extraordinary general meeting of Zhenro Properties (or any adjournment thereof) to be convened and held for the purpose of considering and, if thought fit, approving 2024 Lease Agreements and the respective transactions contemplated thereunder
“Zhenro Properties Group”	Zhenro Properties and its subsidiaries
“Zhenro Properties IBC”	the independent board committee comprising all the independent non-executive directors of Zhenro Properties
“Zhenro Properties IFA”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser of Zhenro Properties to advise the Zhenro Properties IBC and the Zhenro Properties Independent Shareholders in respect of the 2024 Lease Agreements and the respective transactions contemplated thereunder
“Zhenro Properties Independent Shareholders”	the shareholders of Zhenro Properties who are not required to abstain from voting at the Zhenro Properties EGM for the resolution in respect of the 2024 Lease Agreements and the respective transactions contemplated thereunder
“Zhenro Real Estate (Fujian)”	Zhenro Fortune (Fujian) Real Estate Co., Ltd* (正榮財富(福建)置業有限公司), a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties
“Zhenro Real Estate (Mawei)”	Zhenro (Mawei) Real Estate Development Co., Ltd* (正榮(馬尾)置業發展有限公司), a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties

“Zhenro Services”	Zhenro Services Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6958)
“Zhenro Services Board”	the board of directors of Zhenro Services
“Zhenro Services Director(s)”	the director(s) of Zhenro Services
“Zhenro Services EGM”	the extraordinary general meeting of Zhenro Services (or any adjournment thereof) to be convened and held for the purpose of considering and, if thought fit, approving 2024 Lease Agreements and the respective transactions contemplated thereunder
“Zhenro Services Group”	Zhenro Services and its subsidiaries
“Zhenro Services IBC”	the independent board committee comprising all the independent non-executive directors of Zhenro Services
“Zhenro Services IFA”	Fortune Financial Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser of Zhenro Services to advise the Zhenro Services IBC and the Zhenro Services Independent Shareholders in respect of the 2024 Lease Agreements and the respective transactions contemplated thereunder
“Zhenro Services Independent Shareholders”	the shareholders of Zhenro Services who are not required to abstain from voting at the Zhenro Services EGM for the resolution in respect of the 2024 Lease Agreements and the respective transactions contemplated thereunder
“%”	per cent.

By order of the board of directors of
Zhenro Properties Group Limited
Liu Weiliang
Chairman

By order of the board of directors of
Zhenro Services Group Limited
Liu Weiliang
Chairman

Hong Kong, 29 December 2023

As at the date of this joint announcement, the executive directors of Zhenro Properties are Mr. Liu Weiliang and Mr. Li Yang, the non-executive director of Zhenro Properties is Mr. Ou Guowei, and the independent non-executive directors of Zhenro Properties are Dr. Loke Yu (alias Loke Hoi Lam), Mr. Wang Chuanxu and Mr. Xie Jun.

As at the date of this joint announcement, the executive directors of Zhenro Services are Mr. Deng Li and Mr. Wang Wei, the non-executive director of Zhenro Services is Mr. Liu Weiliang; and the independent non-executive directors of Zhenro Services are Mr. Ma Haiyue, Mr. Au Yeung Po Fung and Mr. Zhang Wei.

** For identification purposes only*