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 2023 AND PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

ANNUAL RESULTS AND OPERATIONAL HIGHLIGHTS

1. For the year ended 31 December 2023, the revenue of the Group was approximately RMB1,145.5 million, representing a slight growth as compared with the revenue of RMB1,141.3 million in the same period of 2022.

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. During the year ended 31 December 2023, (i) property management services remained the largest source of revenue for the Group, revenue from property management services reached approximately RMB798.3 million, accounting for approximately 69.6% of the overall revenue, representing a year-on-year increase of approximately 13.0% as compared with approximately RMB706.5 million in the same period of 2022; (ii) revenue from value-added services to non-property owners reached approximately RMB95.7 million, accounting for approximately 8.4% of the overall revenue, representing a year-on-year decrease of approximately 48.7% compared to approximately RMB186.5 million in the same period of 2022; (iii) revenue from community value-added services reached approximately RMB143.9 million, accounting for 12.6% of the overall revenue, representing a year-on-year increase of approximately 0.3% compared to approximately RMB143.5 million in the same period of 2022; and (iv) revenue from commercial operational management services reached approximately RMB107.5 million, accounting for 9.4% of the overall revenue, representing a year-on-year increase of approximately 2.6% compared to approximately RMB104.8 million in the same period of 2022.

3. For the year ended 31 December 2023, the gross profit of the Group was approximately RMB244.7 million, representing a decrease of approximately 3.2% from approximately RMB252.9 million in the same period of 2022.

4. For the year ended 31 December 2023, the loss of the Group was approximately RMB81.9 million as compared with the loss of approximately RMB280.7 million in the same period of 2022. The loss attributable to owners of the parent for the year ended 31 December 2023 was approximately RMB81.2 million as compared with the loss of approximately RMB281.3 million in the same period of 2022.

5. During the year ended 31 December 2023, the gross floor area ("**GFA**") under management of the Group's property management services was approximately 80.8 million square meters ("**sq.m**."), representing an increase of approximately 0.8% from approximately 80.1 million sq.m. as at 31 December 2022.

6. The Board resolved not to recommend any final dividend for the year ended 31 December 2023 (2022: nil).

The board (the "**Board**") of directors (the "**Directors**") of Zhenro Services Group Limited (the "**Company**" or "**Zhenro Services**") is pleased to announce the audited consolidated results (the "**Annual Results**") of the Company and its subsidiaries (together, the "**Group**" or "**Zhenro Services Group**" or "**We**") for the year ended 31 December 2023 (the"**Reporting Period**"), together with the comparative figures for the same period of 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	*5*	**1,145,503**	1,141,293
Cost of sales		**(900,831)**	(888,437)
GROSS PROFIT		**244,672**	252,856
Other income and gains	*5*	**15,840**	33,040
Administrative expenses		**(145,770)**	(157,732)
Impairment losses on financial assets, net		**(99,884)**	(126,897)
Impairment of goodwill		–	(228,849)
Fair value losses on investment properties		**(64,590)**	(63,600)
Share of profits and losses of associates		**(109)**	–
Finance costs		**(6,755)**	(11,719)
LOSS BEFORE TAX	*6*	**(56,596)**	(302,901)
Income tax expense	*7*	**(25,340)**	22,152
LOSS FOR THE YEAR		**(81,936)**	(280,749)
Attributable to:			
Owners of the parent		**(81,189)**	(281,326)
Non-controlling interests		**(747)**	577
		(81,936)	(280,749)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	*9*	**RMB(0.08)**	RMB(0.27)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2023

	2023 *RMB'000*	2022 *RMB'000*
LOSS FOR THE YEAR	**(81,936)**	(280,749)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Translation difference of the financial statements of group companies into presentation currency	**(23)**	8
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(23)**	8
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(23)**	8
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(81,959)**	(280,741)
Attributable to:		
Owners of the parent	**(81,212)**	(281,318)
Non-controlling interests	**(747)**	577
	(81,959)	(280,741)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**5,716**	5,926
Right-of-use assets		**1,761**	4,382
Investment properties		**164,600**	86,190
Goodwill		**537,777**	537,777
Other intangible assets		**37,446**	44,697
Investment in associates		**1,071**	1,180
Deferred tax assets		**55,953**	53,383
Total non-current assets		**804,324**	733,535
CURRENT ASSETS			
Finance lease receivables		**–**	35,880
Trade receivables	*10*	**309,747**	282,667
Due from related companies		**45,441**	110,004
Prepayments, other receivables and other assets		**108,060**	127,836
Cash and bank balances		**579,146**	691,627
Total current assets		**1,042,394**	1,248,014
CURRENT LIABILITIES			
Trade payables	*11*	**165,434**	149,479
Other payables and accruals		**427,701**	417,958
Due to related companies		**2,439**	2,040
Interest-bearing bank and other borrowings	*12*	**64,040**	85,017
Tax payable		**65,839**	40,566
Lease liabilities		**3,121**	69,412
Total current liabilities		**728,574**	764,472
NET CURRENT ASSETS		**313,820**	483,542
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,118,144**	1,217,077

	Note	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**9,060**	15,100
Lease liabilities		**899**	2,976
Deferred tax liabilities		**12,279**	18,596
Other payables		**7,364**	11,114
Total non-current liabilities		**29,602**	47,786
NET ASSETS		**1,088,542**	1,169,291
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		**7,867**	7,867
Reserves		**1,074,564**	1,155,776
		1,082,431	1,163,643
Non-controlling interests		**6,111**	5,648
TOTAL EQUITY		**1,088,542**	1,169,291

1. CORPORATE INFORMATION

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

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

2.1. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRS for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 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 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" narrow the scope of the initial recognition exception in IAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has not applied the initial recognition exception and recognised deferred tax assets and deferred tax liabilities respectively for all transactions fallen within the scope of the amendments in prior years, the amendments had no impact on the Group's financial statements.

(d) Amendments to IAS 12 "International Tax Reform – Pillar Two Model Rules" introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")* [1, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2020 Amendments")* [1, 4]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, International Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

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

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio which mainly includes the car park spaces. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Principal versus agent consideration for revenue from contracts with customers

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Group is a principal) or to arrange for those services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified service before that service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified service by another party. In this case, the Group does not control the specified service provided by another party before that service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party.

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 2023, the carrying amount of goodwill was RMB537,777,000.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate expected credit losses ("**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 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.

Fair value of investment properties

Investment properties, including car park spaces and the leased commercial properties held as a right-of-use asset, are carried in the consolidated statement of financial position at their fair value. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent and professionally qualified valuer using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment properties included in the consolidated statement of financial position and the corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the property management business. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

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

Information about major customers

There was no revenue from sales to a single customer or a group of customers under common control amounting to 10% or more of the Group's revenue for the year ended 31 December 2023 while revenue from Zhenro Properties Group Limited and its subsidiaries ("**Zhenro Properties Group**") contributed 12.3% to the Group's revenue for the year ended 31 December 2022.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Revenue from contracts with customers	**1,095,253**	1,099,036
Revenue from other sources		
Sublease services	**50,250**	42,257
	1,145,503	1,141,293

Revenue from contracts with customers

(i) Disaggregated revenue information

Segments	Property Management services *RMB'000*	Value-added services to non-property owners *RMB'000*	Community value-added services *RMB'000*	Brand and management output services *RMB'000*	Total *RMB'000*
2023					
Type of goods or services					
Rendering of services	**798,346**	**95,724**	**143,892**	**57,291**	**1,095,253**
Geographical markets					
Chinese Mainland	**798,346**	**95,724**	**143,892**	**57,291**	**1,095,253**
Timing of revenue recognition					
Revenue recognised over time	**798,346**	**88,869**	**32,009**	**51,450**	**970,674**
Revenue recognised at a point in time	**–**	**6,855**	**111,883**	**5,841**	**124,579**
Total revenue from contracts with customers	**798,346**	**95,724**	**143,892**	**57,291**	**1,095,253**

Segments	Property Management services *RMB'000*	Value-added services to non-property owners *RMB'000*	Community value-added services *RMB'000*	Brand and management output services *RMB'000*	Total *RMB'000*
2022					
Type of goods or services					
Rendering of services	706,513	186,517	143,474	62,532	1,099,036
Geographical markets					
Chinese Mainland	706,513	186,517	143,474	62,532	1,099,036
Timing of revenue recognition					
Revenue recognised over time	706,513	161,645	34,790	55,435	958,383
Revenue recognised at a point in time	–	24,872	108,684	7,097	140,653
Total revenue from contracts with customers	706,513	186,517	143,474	62,532	1,099,036

	2023	2022
	RMB'000	*RMB'000*
Other income and gains		
Interest income	**1,611**	2,264
Government grants	**3,353**	18,167
Value added tax additional deduction	**2,685**	2,753
Rental income	**2,677**	1,999
Finance income from finance lease	**3,445**	5,969
Others	**2,069**	1,888
	15,840	33,040

6. LOSS BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of service provided*	**557,071**	525,932
Depreciation of property and equipment	**2,528**	5,201
Depreciation of right-of-use assets	**3,870**	3,552
Amortisation of other intangible assets	**7,242**	7,157
Lease payments not included in the measurement of lease liabilities	**2,989**	3,007
Auditor's remuneration	**2,600**	3,100
Impairment of financial assets, net		
Impairment of financial lease receivables, net	**(2,166)**	(766)
Impairment of trade receivables, net	**42,312**	16,850
Impairment of due from related parties, net	**59,239**	108,836
Impairment of other receivables, net	**499**	1,977
Impairment of goodwill	**–**	228,849
Employee benefit expense (including Directors' and chief executive's remuneration):		
Wages, salaries and other allowances	**371,298**	382,475
Pension scheme contributions and social welfare	**59,887**	63,820
	431,185	446,295

* Cost of service provided represents "cost of sales" in the consolidated statement of profit or loss excluding employee benefit expense, depreciation of property and equipment, depreciation of right-of-use assets and amortisation of other intangible assets.

7. INCOME TAX

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

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%.

	2023	2022
	RMB'000	*RMB'000*
Current – Chinese Mainland:		
Charge for the year	**34,227**	32,510
Deferred tax	**(8,887)**	(54,662)
Total tax charge/(credit) for the year	**25,340**	(22,152)

8. DIVIDENDS

The Directors do not recommend any interim or final dividend for the period.

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

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,037,500,000 (2022: 1,037,500,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the year ended 31 December 2023 and 2022.

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

	2023	2022
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(81,189)**	(281,326)
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	**1,037,500,000**	1,037,500,000

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the date of the demand note, net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**240,139**	245,165
1 to 2 years	**66,719**	36,709
2 to 3 years	**2,889**	793
	309,747	282,667

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**130,768**	144,674
Over 1 year	**34,666**	4,805
	165,434	149,479

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 31 December 2023		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***
Current			
Bank loans – secured	**5**	**2024**	**45,000**
Bank loans – unsecured	**4.1-5.2**	**2024**	**13,000**
Current portion of long term			
Bank loans – secured	**5**	**2024**	**6,040**
Total – current			**64,040**
Non-current			
Bank loans – secured	**5**	**2025-2026**	**9,060**
Total			**73,100**

	At 31 December 2022		
	Effective interest rate *(%)*	Maturity	*RMB'000*
Current			
Bank loans – unsecured	4.2-4.4	2023	68,772
Current portion of long term			
Bank loans – secured	5	2023	6,040
Bank loans – unsecured	4.6-5.1	2023	10,205
Total – current			85,017
Non-current			
Bank loans – secured	5	2025-2026	15,100
Total			100,117

	2023 ***RMB'000***	2022 *RMB'000*
Analysed into:		
Repayable within one year	**64,040**	85,017
Repayable within two to five years	**9,060**	15,100
Total	**73,100**	100,117

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

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 28 March 2024.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the annual results of the Group for the Reporting Period.

RESULTS REVIEW

During the Reporting Period, the revenue of the Group was approximately RMB1,145.5 million, which was quite stable as compared with the revenue of approximately RMB1,141.3 million for the corresponding period 2022; the loss of the Group during the period was approximately RMB81.9 million, as compared to the loss of approximately RMB280.7 million for the corresponding period of 2022; the loss attributable to owners of the parent during the period was approximately RMB81.2 million, as compared to the loss of approximately RMB281.3 million for the corresponding period of 2022.

REVIEW OF 2023: FORGING AHEAD WITH STABLE OPERATION

In 2023, the world economy was struggling with new setbacks and challenges even though the impact of the COVID-19 pandemic was fading away. Multiple factors including the escalating Russia-Ukraine conflicts, intensifying geopolitical risks, rising trade protectionism and enhanced inflationary pressure led to a sluggish growth of global economy and increasing uncertainties and risks. Chinese economy maintained an overall stable development trend, but it also faced multiple pressures such as insufficient domestic demands, great employment pressure and disruption of industrial chain supply.

In such severe context of complex environment at home and abroad and coexistence of risks and challenges, Zhenro Services Group strictly followed the core values of "attaining prosperity with integrity" (正直構築繁榮), upheld the brand concept of "providing heartfelt and personalised services for your well-being (服務由心, 幸福為你)", overcame numerous difficulties and achieved encouraging operating results with its strong determination, tenacious perseverance and tactics wisdom.

The business achievements are attributable to Zhenro Services' focus on the philosophy of high-quality development:

Embracing competitive segments and tapping deep into prime regions

We continued our focus on prime regions and stepped up efforts to expand into core cities in Yangtze River Delta including Shanghai, Nanjing, Suzhou and Fuzhou, in a bid to extend our management radius coverage. At the same time, we extended our business layout to Pearl River Delta, Bohai Rim and other economically vibrant regions. In terms of project type selection, we mainly focus on the segments with great growth potential such as commercial and office buildings, public construction and industrial parks. Our new expansions during the Reporting Period included 4 large commercial complexes, 2 urban services, 9 industrial parks and other quality projects, and the effect of resource integration has continued to emerge with the contracted management coverage area increasing steadily.

Increasing quality and efficiency for comprehensive intelligent service reform

We continued to provide services in a "high-quality, caring and intelligent(品質心、關懷心、智慧心)" manner and promoted the standardized, process-oriented and intelligent service reform in a comprehensive manner. We set up a dedicated quality management team and established a service quality evaluation system covering multiple dimensions including safety, environment and service to ensure standard and orderly management. We also completed the development and a pilot run of "Ronglehui" (榮樂慧), an intelligent customer service system, which effectively improved our service efficiency and customer experience through the organic combination of artificial and intelligent system optimization. At the same time, we took the initiatives to shoulder corporate social responsibility by launching the "Prosperity and Pleasure (幸福榮樂)" community cultural series activities to convey positive energy to property owners and the community and enhanced our humanistic care. In terms of commercial property operation, we launched the "Rongguang Action (榮光行動)", an overall boost scheme which effectively enhanced the commercial atmosphere of projects and improved the consumption experience of the tenants and visitors by upgrading hardware facilities, optimizing merchant portfolio, strengthening marketing and publicity, etc.

Attaching importance to talent cultivation and strengthening cultural development

We firmly believe that an excellent workforce is the basic safeguard for the sustainable development of an enterprise. In 2023, we continued to refine our talent cultivation system and improved the training mechanism to provide our employees with ample room for their career development and various professional training channels, so as to improve employees' professional levels. At the same time, we vigorously optimized our human resources management and improved the performance assessment and compensation incentive mechanism to create a fair, just and transparent career development environment for employees. In addition, we actively introduced industry-leading professionals and compound talents to build cohesion amongst new comers in the Company and create a high-quality and professional service team.

Moreover, we also attached great importance to corporate culture development. We vigorously advocated the "Integrity • Action (正•行動)" culture practice plan in an effort to root the values of "attaining prosperity with integrity" (正直構築繁榮) into the thoughts and behaviors of every staff and boosted the Company's comprehensive cultural strength and social influence. Under the immersion of the corporate cultural concept, our staff further improved their service professionalism and service awareness, strengthened their resilience in personalities and fostered a teamwork spirit, injecting everlasting momentum for the Company's high-quality development.

Outlook for 2024: embracing a bright future with enhanced quality and efficiency

We are embracing a new 2024. Although the world economic recovery will face many uncertainties and the geopolitical conflicts will continue to affect the economic development, the prospect of China's property service industry remains promising. In recent years, China has rolled out a series of policies to support the property service industry for its improvement of quality and efficiency, as well as transformation and upgrade. The residential property and non-residential property market's potential will be unlocked further, and the two segments will both embrace a new historical stage for high-quality development. Only those players who see high-quality products and services as a development cornerstone and continuously improve professional and intelligent levels can be at the forefront of the new round of industrial reshuffle and reshaping.

In 2024, Zhenro Services will adhere to the development concept of "pragmatic, innovative, quality-oriented (務實創新、質量為本)" and continue to focus on the high-quality development, striving for providing professional, intelligent and heartfelt products and services.

Seeking digital and intelligent transformation with technology empowerment

We will continue to increase investment in science and technology, and effectively promote the "Ronglehui" (榮樂慧) intelligent customer service system, the "Rongguanjia (榮管家)" intelligent operation and maintenance system and other intelligent operation products, accelerate the research and development and construction of enterprise-level intelligent operation and maintenance platforms, comprehensively improve the intelligent, automatic and refinement levels of operation, significantly enhance the service quality, service efficiency and customer experience. At the same time, we will continue to upgrade the back-office system architecture to lift our data summarization and mining capabilities for the empowerment of refined operation.

Providing talent-based professional services

We will further refine our talent cultivation system, innovate the training modes, strengthen the combination of theoretical study and practical operation, systematically improve every employee's overall professionalism, professional levels and service awareness. In addition, we will optimize our human resources management system and create the excellent talents introduction and cultivation mechanism to introduce and cultivate batches of compound talents who understand management, seek for innovation and focus on practice, so as to drive the specialization of the managerial staff and the professional development of the service staff to provide a talent guarantee for the Company's high-quality development.

Passing positive energy with corporate culture

We will further demonstrate and implement our core values of "attaining prosperity with integrity" (正直構築繁榮) during our strategic planning, decision-making and operation, making it a deep-rooted concept for the Company's development, management mechanism and the code of conducts for employees. At the same time, we will deepen and broaden our corporate social responsibility practice by organizing more community-oriented, people's livelihood-concerned public welfare activities to benefit more communities and people with our kindness and professional services and highlight the Company's humanistic care. With the same aspirations and concerted efforts, we are bound to form a strong positive energy to inject continuous momentum for the Company's high-quality development.

Optimizing layout to keep growth momentum

In terms of regional layout, we will further cement our leading position in Shanghai, Nanjing, Suzhou and other core cities in Yangtze River Delta, and focus on expanding the market share in economically vibrant regions including Pearl River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing. In terms of type selection, we will continue to optimize the existing resources and focus on the sought-after segments with great growth potential such as large commercial complex, urban complex, industrial park and urban service, and keep thickening our reserves of quality resources by mergers and acquisitions and other ways, so as to inject strong momentum for the Company's sustainable growth.

Last but not least, I would like to express my high respect and sincere appreciation to all shareholders, investors, partners and all employees of Zhenro Services for their dedication and hard work! Let us move forward with the same aspirations, forge ahead with determination, open a new chapter of high-quality development of Zhenro Service together!

Zhenro Services Group Limited
Liu Weiliang
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 offering of integrated services to its customers that covers 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 services, security and visitor management services); (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 provision of value-added services to non-property owners enables it to gain early access to property development projects and establish and cultivate business relationships with the property developers, enhancing the Group's 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 its business presence in China.

PROPERTY MANAGEMENT SERVICES

Continuous and Steady Growth in Both Area and Scale

The Group adhered to the strategic target to steadily expand its management coverage area, and has achieved steady growth in contracted GFA and GFA under management through multiple efforts. As at 31 December 2023, the Group's contracted GFA amounted to approximately 109.6 million sq.m., representing an increase of 0.5% as compared with that as at 31 December 2022, and the number of contracted projects totalled 468. As at 31 December 2023, GFA under management of the Group's property management services reached approximately 80.8 million sq.m., representing an increase of approximately 0.8% as compared with that as at 31 December 2022, and the number of projects under management totalled 384.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the years ended 31 December 2023 and 2022 respectively:

	For the year ended 31 December			
	2023		2022	
	Contracted GFA	**GFA under management**	Contracted GFA	GFA under management
	('000 sq.m.)	***('000 sq.m.)***	*('000 sq.m.)*	*('000 sq.m.)*
As of the beginning of the period	**109,093**	**80,128**	104,055	70,982
New engagements [(1)]	**992**	**974**	5,475	9,481
Terminations [(2)]	**(442)**	**(339)**	(437)	(335)
As of the end of the period	**109,643**	**80,763**	109,093	80,128

Notes:

(1) With respect to residential communities the Group managed, 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) 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 of 31 December 2023, the Group has expanded its geographic presence to 55 cities in China.

The table below sets forth a breakdown of the Group's total GFA under management as of the dates indicated and total revenue generated from property management services by geographic location for the years ended 31 December 2023 and 2022 respectively:

	As at 31 December or for the year ended 31 December					
	2023			2022		
	GFA under management *('000 sq.m.)*	**Revenue** *RMB'000*	**Regional revenue as a percentage of total revenue** *%*	GFA under management *('000 sq.m.)*	Revenue *RMB'000*	Regional revenue as a percentage of total revenue *%*
Yangtze River Delta Region(1)	**27,073**	**373,703**	**46.8**	26,403	326,023	51.1
Bohai Rim Region(2)	**3,435**	**51,768**	**6.5**	2,755	44,617	5.9
Midwest Economic Region(3)	**24,287**	**165,963**	**20.8**	25,403	154,690	19.0
Western Straits Region(4)	**25,968**	**206,912**	**25.9**	25,567	181,183	24.0
Total	**80,763**	**798,346**	**100.0**	80,128	706,513	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, Taizhou, Nantong, Xuzhou, Suqian, Chizhou and Wuxi.

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

(3) Cities in which the Group has property management projects in the Midwest Economic Region include Nanchang, Yichun, Changsha, Wuhan, Xi'an, Ganzhou, Suizhou, Xiangyang, Yueyang, Chongqing, Chengdu, Ji'an, Huanggang, Guangyuan, Baoji, Kunming 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 providing assistance to property developers in showcasing and marketing their properties, cleaning and maintenance services, and security and visitor management services); (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.

For the year ended 31 December 2023, revenue from value-added services provided to non-property owners decreased by 48.7% to approximately RMB95.7 million compared to approximately RMB186.5 million in the same period of 2022, 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. For the year ended 31 December 2023, the revenue from value-added services to non-property owners accounted for 8.4% of the total revenue of the Group.

The following table sets forth the revenue breakdown of value-added services provided to non-property owners for the years ended 31 December 2023 and 2022:

	For the year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Sales assistance services	**50,238**	**52.5**	95,011	50.9
Additional tailored services	**25,789**	**26.9**	62,081	33.3
Housing repair services	**15,886**	**16.6**	19,714	10.6
Preliminary planning and design consultancy services	**1,109**	**1.2**	5,694	3.1
Pre-delivery inspection services	**2,702**	**2.8**	4,017	2.2
Total	**95,724**	**100.0**	186,517	100.0

COMMUNITY VALUE-ADDED SERVICES

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

For the year ended 31 December 2023, the revenue from community value-added services increased by 0.3% to approximately RMB143.9 million compared to approximately RMB143.5 million in the same period of 2022, mainly due to the increase in the number of service users and the increase in provision of diversified home-living products. For the year ended 31 December 2023, revenue from community value-added services accounted for 12.6% of the total revenue of the Group.

The following table sets forth the revenue breakdown of community value-added services for the years ended 31 December 2023 and 2022:

	For the year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Home-living services[(1)]	**111,883**	**77.8**	108,684	75.8
Car park management, leasing assistance and other services[(2)]	**15,299**	**10.6**	21,324	14.9
Common area value-added services[(3)]	**16,710**	**11.6**	13,466	9.4
Total	**143,892**	**100.0**	143,474	100.0

Notes:

(1) It mainly includes services such as cleaning, group purchase, turnkey furnishing, home maintenance, value-added services related to tenants of commercial properties and utility fee collection services.

(2) It mainly includes 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

Since the Group's acquisition of Zhenro Commercial Management Co., Ltd. in 2021, it has engaged in the provision of commercial operational management services to tenants and customers, which primarily include (i) brand and management output services; and (ii) sublease services.

As at 31 December 2023, the number of commercial operation projects under management of the Group reached 33, and the total GFA under management was approximately 1.7 million sq.m.. During the Reporting Period, the commercial operation projects under management were located in, among other cities, Fuzhou, Changsha, Putian, Changzhou, Taixing and Xi'an. During the Reporting Period, the revenue of commercial operational management services was approximately RMB107.5 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 RMB1,145.5 million, which was quite stable as compared with RMB1,141.3 million in the same period of 2022.

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

	For the year ended 31 December				
	2023	**Percentage of revenue**	2022	Percentage of revenue	Growth rate
	RMB'000	***%***	*RMB'000*	*%*	*%*
Property management services	**798,346**	**69.6**	706,513	61.9	13.0
Value-added services to non-property owners	**95,724**	**8.4**	186,517	16.3	-48.7
Community value-added services	**143,892**	**12.6**	143,474	12.6	0.3
Commercial operational management services	**107,541**	**9.4**	104,789	9.2	2.6
Total	**1,145,503**	**100.0**	1,141,293	100.0	0.4

Property management services is still the largest source of income for the Group. During the Reporting Period, revenue from property management services reached approximately RMB798.3 million, accounting for 69.6% of the total revenue of the Group. Such revenue growth was attributable to the 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 was 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 the number of service users and the increase in provision of diversified home-living products.

Cost of Sales

The cost of sales of the Group mainly includes staff costs, subcontracting costs, greening and landscaping costs, utilities expenses, tax and surcharges, depreciation and amortisation, office expenses and community activity costs.

During the Reporting Period, the cost of sales of the Group was approximately RMB900.8 million, representing an increase of approximately 1.4% as compared with approximately RMB888.4 million in the same period of 2022. The increase in the cost of sales was mainly due to the growing property management business scale of the Group.

Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit decreased by approximately 3.2% from approximately RMB252.9 million for the same period in 2022 to approximately RMB244.7 million.

During the Reporting Period, the gross profit margin of the Group decreased to 21.4% from 22.2% for the same period in 2022.

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

	For the year ended 31 December		
	2023	2022	Changes in gross profit margin
	Gross profit margin	*Gross profit margin*	*Percentage points*
	%	*%*	
Property management services	**20.0**	22.9	-2.9
Value-added services to non-property owners	**2.8**	3.6	-0.8
Community value-added services	**25.7**	28.4	-2.7
Commercial operational management services	**42.0**	41.6	0.4
Total	**21.4**	22.2	-0.8

Other income and gains

During the Reporting Period, the other income and gains of the Group decreased by approximately 52.1% from approximately RMB33.0 million for the same period in 2022 to approximately RMB15.8 million. The decrease was mainly due to the decrease in government grants from approximately RMB18.2 million during the corresponding period in 2022 to approximately RMB3.4 million for the Reporting Period.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group decreased by approximately 7.6% from approximately RMB157.7 million for the same period in 2022 to approximately RMB145.8 million. During the Reporting Period, administrative expenses accounted for 12.7% of the revenue, representing a decrease of 1.1 percentage points as compared with 13.8% in the same period of 2022, mainly due to the Group's efforts to upgrade management system and strengthen cost control.

Income tax

During the Reporting Period, the Group recorded income tax expense of approximately RMB25.3 million, and the income tax credit for the same period in 2022 was RMB22.2 million.

Loss attributable to owners of the parent

During the Reporting Period, the loss attributable to owners of the parent for the period was approximately RMB81.2 million, which was approximately RMB281.3 million in the same period in 2022.

Property and equipment

The property and equipment of the Group mainly included buildings, office equipment, electronic equipment and other assets. As of 31 December 2023, the property and equipment of the Group was approximately RMB5.7 million, representing a decrease of approximately RMB0.2 million or 3.5% as compared with approximately RMB5.9 million as at 31 December 2022.

Trade receivables

The Group's trade receivables mainly derived from its revenue from property management services and value-added services provided to non-property owners. As of 31 December 2023, the Group's trade receivables amounted to approximately RMB309.7 million, representing an increase of approximately RMB27.0 million or approximately 9.6% as compared with approximately RMB282.7 million as at 31 December 2022. The increase was basically in line with the revenue growth of property management services as a result of undertaking new projects and the business expansion in recent years.

Prepayments, deposits and other receivables

The Group's prepayments, deposits and other receivables primarily consisted of payments made on behalf of our property owners such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities and deposits in relation to the public biddings. As of 31 December 2023, the Group's prepayments, deposits and other receivables amounted to approximately RMB108.1 million, representing a decrease of 15.5% as compared with approximately RMB127.8 million as at 31 December 2022.

Trade payables

As of 31 December 2023, the Group's trade payables amounted to approximately RMB165.4 million, representing an increase of approximately 10.7% from approximately RMB149.5 million as at 31 December 2022. 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 cash was mainly used for working capital and acquisition of subsidiaries, which was mainly funded from cash flow generated from operations and proceeds raised from the Company's initial public offering.

The Group's interest-bearing and other borrowings were all denominated in RMB and bore interest at fixed rates. As at 31 December 2023, the borrowings of the Group amounted to RMB73.1 million, compared to RMB100.1 million as at 31 December 2022. From the respective drawdown dates, the Group's interest-bearing and other borrowings repayable within one year were RMB64.0 million and repayable over one year were RMB9.1 million as at 31 December 2023, while the Group's borrowings repayable within one year were RMB85.0 million and repayable over one year were RMB15.1 million as at 31 December 2022. 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 2023.

PLEDGE OF ASSETS

As of 31 December 2023, the Group's bank borrowings, in amount of RMB15,100,000 (31 December 2022: RMB21,140,000) were pledged by 70% equity interests of Jiangsu Sutie Property Management Co., Ltd., a subsidiary of the Group.

As of 31 December 2023, the Group's bank borrowings of RMB21,000,000 (31 December 2022: nil) were pledged by the Group's car park spaces.

FINANCIAL RISKS

INTEREST RATE RISK

The Group's exposure to risk for changes in interest rates is primarily related to the Group's interest-bearing bank and other borrowings. The Group was not exposed to material risk directly relating to changes in market interest rates. The Group did not use derivative financial instruments to hedge interest rate risk. The Group's all bank borrowings were 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 has no cash at banks denominated in foreign currencies. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk.

DEBT TO ASSET RATIO

As at 31 December 2023, the Group's debt to asset ratio was 0.07 times, 0.02 times lower as compared with the debt to asset ratio of 0.09 times as at 31 December 2022. Debt to asset ratio equals interest-bearing bank and other borrowings divided by total equity.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

On 22 December 2023, Zhenro Property Services Co., Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with two independent third parties to acquire 100% equity interest in Suzhou Xinqirui E-Commerce Co., Ltd. (蘇州鑫琪瑞電子商務有限公司) (the "**Target Company**") at a cash consideration of RMB1,100,000 ("**Acquisition**"). The principal asset of the Target Company is the rights-of-use of approximately 1,400 underground car parking spaces in Tianjin Ruijinyuan (天津瑞錦園), a residential property development which is situated at Xiqing District, Tianjin, the PRC. Please refer to the Company's announcement dated 23 December 2023 for further details of the Acquisition.

Save as disclosed above, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

CONTINGENT LIABILITIES

As of 31 December 2023, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Reporting Period, there were no significant investments held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of 31 December 2023, save as disclosed under "USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING" below, the Group had no plans to make any material investments or capital assets.

EMPLOYEES

As at 31 December 2023, the Group had approximately 3,485 employees (31 December 2022: approximately 4,197 employees). During the Reporting Period, the total staff costs were approximately RMB431.2 million (31 December 2022: approximately RMB446.3 million).

In terms of talent training, the Group will further enhance its employee training program with internal and external resources. The employee training program primarily covers key areas in the Group's business operations, which provides 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 is paid to employees after assessments to reward their contributions. The Group also participates in 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 in July 2020 (including the exercise of the over-allotment option) amounted to approximately HK$1,267.7 million (equivalent to approximately RMB1,141.7 million) (the "**Net Proceeds**").

The proposed use of the Net Proceeds (as reallocated and announced on 19 May 2021) and the actual usage of the Net Proceeds up to 31 December 2023 are set out below:

Proposed use of Net Proceeds	**Net Proceeds Re-allocated**	**Utilised Net Proceeds during the Reporting Period**	**Total Utilised Net Proceeds**	**Unutilised Net Proceeds as of 31 December 2023**	**Expected time of full utilisation**
	RMB million	*RMB million*	*RMB million*	*RMB million*	
Development of the Group's information management system	228.3	38.3	125.5	102.8	Before 31 December 2024
Further development of the Group's "Rong Wisdom (榮智慧)" service software	171.2	23.2	94.6	76.6	Before 31 December 2024
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**	**61.5**	**962.3**	**179.4**	

OTHER INFORMATION

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

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

FINAL DIVIDEND

The Board resolved not to recommend any final dividend for the year ended 31 December 2023 (2022: nil).

EVENTS AFTER THE REPORTING PERIOD

On 28 February 2024, an extraordinary general meeting was held to consider, approve and ratify (i) the 2024 Fuzhou Mabao Lease Agreement (as defined in the Company's circular dated 9 February 2024 (the "**Circular**")) and the transactions contemplated thereunder; (ii) the 2024 Fuzhou Mawei Lease Agreement (as defined in the Circular) and the transactions contemplated thereunder; (iii) the 2024 Putian Fortune Centre Lease Agreement (as defined in the Circular) and the transactions contemplated thereunder; and (iv) the 2024 Putian Street Lease Agreement (as defined in the Circular) and the transactions contemplated thereunder.

For further details on the transactions, please refer to the joint announcement issued by the Company and Zhenro Properties Group dated 29 December 2023 and the Circular.

Saved as disclosed above, as at the date of this announcement, no other significant event has taken place subsequent to 31 December 2023.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "**AGM**") of the Company will be held on Friday, 14 June 2024. 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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, 11 June 2024 to Friday, 14 June 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend, speak and vote at the AGM to be held on Friday, 14 June 2024, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Friday, 7 June 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining and strengthening high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness, so as 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 Part 2 of Appendix 14 (which has been renumbered to Appendix C1 with effect from 31 December 2023) to the Listing Rules as in force from time to time as the basis of the Company's corporate governance practices.

Throughout the Reporting Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Corporate Governance Code and maintaining high standard corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (which has been renumbered to Appendix C3 with effect from 31 December 2023) to the Listing Rules as its code of conduct regarding Directors' securities transactions.

All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the guidelines contained in 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 has maintained a public float of not less than 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 Corporate Governance Code as set out in Appendix C1 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 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. Liu Weiliang, 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 of the Company for the year ended 31 December 2023 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 2023 with the management and the external auditor of the Company. The Group's auditor agreed that 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 2023 as set out in this announcement are consistent with the figures set out in the Group's consolidated financial statements for the year.

SCOPE OF WORK OF THE AUDITOR

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2023, but represents an extract from the consolidated financial statements for the year ended 31 December 2023 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.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to amend the existing amended and restated memorandum of association and articles of association of the Company (the "**Existing Memorandum and Articles**") to, among other things, (i) bring the Existing Memorandum and Articles in line with the latest requirements under the Listing Rules, including the amendments to Rule 2.07A of the Listing Rules with respect to electronic dissemination of corporate communications which took effect from 31 December 2023; and (ii) incorporate certain corresponding and housekeeping amendments (the "**Proposed Amendments**").

The Board proposes to effect the Proposed Amendments by way of adoption of the third amended and restated memorandum of association and articles of association (the "**Amended and Restated Memorandum and Articles**") in substitution for, and to the exclusion of, the Existing Memorandum and Articles.

The Proposed Amendments and the proposed adoption of the Amended and Restated Memorandum and Articles are subject to the approval of the Shareholders by way of a special resolution to be proposed at the forthcoming AGM, and will become effective upon the approval by the shareholders of the Company at the AGM. Prior to the passing of such special resolution at the AGM, the Existing Memorandum and Articles shall remain valid.

A circular containing, among other matters, details of the Proposed Amendments and the proposed adoption of the Amended and Restated Memorandum and Articles, together with a notice convening the AGM will be despatched to the shareholders of the Company in due course.

The Proposed Amendments and the Amended and Restated Memorandum and Articles are prepared in the English language and their Chinese translation is for reference only. In the event of any inconsistencies between their English and Chinese language versions, the English language version shall prevail.

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

Hong Kong, 28 March 2024

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