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zhenro 正荣地产

Zhenro Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6158)

zhenro 正荣服务

Zhenro Services Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6958)

**CONNECTED TRANSACTION
AND
POSSIBLE CONTINUING
CONNECTED TRANSACTIONS**

**DISCLOSEABLE AND
CONNECTED TRANSACTION
AND
POSSIBLE CONTINUING
CONNECTED TRANSACTIONS**

JOINT ANNOUNCEMENT

**THE SALE AND PURCHASE OF
EQUITY INTEREST IN
ZHENRO COMMERCIAL MANAGEMENT CO., LTD***

AND

POSSIBLE CONTINUING CONNECTED TRANSACTIONS

AND

**CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING FOR
ZHENRO SERVICES**

Independent Financial Adviser to Zhenro Services



Giraffe Capital Limited

THE SALE AND PURCHASE AGREEMENT

The Zhenro Properties Board and the Zhenro Services Board are pleased to jointly announce that on 19 May 2021, the Purchasers (each a wholly-owned subsidiary of Zhenro Services), Zhenro Properties Holdings (a wholly-owned subsidiary of Zhenro Properties) and the Target Company entered into the Sale and Purchase Agreement pursuant to which the Purchasers have conditionally agreed to acquire, and Zhenro Properties Holdings has conditionally agreed to dispose of, an aggregate of 99% equity interest in the Target Company at the total consideration of RMB891 million, subject to the Consideration Adjustment.

POSSIBLE CONTINUING CONNECTED TRANSACTIONS

As a result of the Transaction, the Target Company will become a non-wholly owned subsidiary of Zhenro Services and the transactions between Zhenro Properties Group and the Target Group will become continuing connected transactions for each of Zhenro Properties and Zhenro Services under Chapter 14A of the Listing Rules.

Consultancy Services Agreement

On 19 May 2021, the Target Company and Zhenro Properties entered into the Consultancy Services Agreement in relation to the provision of commercial property operational and consultancy services by the Target Group to Zhenro Properties Group.

Existing Lease Agreements

Prior to the date of the Sale and Purchase Agreement, members of the Zhenro Properties Group (as lessor) entered into the Existing Lease Agreements with members of the Target Group (as lessee) in respect of the lease of certain commercial properties.

New Lease Agreement

On 10 May 2021, Xi'an Jingheng Real Estate (as lessor) entered into the New Lease Agreement with Zhenro Commercial Management (Xi'an) (as lessee) in respect of the lease of the Xi'an Property.

LISTING RULES IMPLICATIONS

In respect of Zhenro Properties

As at the date of this announcement, Zhenro Properties and Zhenro Services are indirectly owned as to approximately 54.60% and approximately 63.26% by Mr. Ou, respectively. Mr. Ou is therefore the controlling shareholder of Zhenro Properties, and members of Zhenro Services Group, being associates of Mr. Ou, are connected persons of Zhenro Properties under Chapter 14A of the Listing Rules.

(i) *The Sale and Purchase Agreement*

With respect to the Sale and Purchase Agreement, as Purchaser I and Purchaser II, being members of the Zhenro Services Group, are connected persons of Zhenro Properties, the Transaction constitutes a connected transaction for Zhenro Properties under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Sale and Purchase Agreement exceed(s) 0.1% but all of them are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(ii) *The Consultancy Services Agreement, the Existing Lease Agreements and the New Lease Agreement*

Upon the First Completion, the Target Company will become a non wholly-owned subsidiary of the Zhenro Services Group. Accordingly, upon the First Completion, the transactions contemplated under each of (i) the Consultancy Services Agreement, (ii) the Existing Lease Agreements and (iii) the New Lease Agreement will constitute continuing connected transactions for Zhenro Properties under Chapter 14A of the Listing Rules.

With respect to the Consultancy Services Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for the Consultancy Services Agreement exceed(s) 0.1% but all of them are less than 5%, the Consultancy Services Agreement is subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

With respect to the Existing Lease Agreements, pursuant to Rule 14A.60(1) of the Listing Rules, Zhenro Properties is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules regarding the continuing connected transactions under the Existing Lease Agreements, each of which is an agreement for a fixed period with fixed terms. Zhenro Properties and Zhenro Services will comply with all applicable requirements under Chapter 14A of the Listing Rules upon variation or renewal of any of the Existing Lease Agreements.

With respect to the New Lease Agreement, as all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for the New Lease Agreement are less than 0.1%, the New Lease Agreement is fully exempted from the shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1)(a) of the Listing Rules.

In respect of Zhenro Services

As at the date of this announcement, Zhenro Services and Zhenro Properties are indirectly owned as to approximately 63.26% and approximately 54.60% by Mr. Ou, respectively. Mr. Ou is therefore the controlling shareholder of Zhenro Services, and members of Zhenro Properties Group, being associates of Mr. Ou, are connected persons of Zhenro Services under Chapter 14A of the Listing Rules.

(i) The Sale and Purchase Agreement

With respect to the Sale and Purchase Agreement, as one or more applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Agreement exceed(s) 5% but all of them are less than 25%, the Transaction constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. As Zhenro Properties Holdings, being a member of Zhenro Properties Group, is an associate of a connected person of Zhenro Services, the Transaction constitutes a connected transaction for Zhenro Services under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(ii) The Consultancy Services Agreement and the New Lease Agreement

Upon the First Completion, the Target Company will become a non wholly-owned subsidiary of the Zhenro Services Group. Accordingly, upon the First Completion, the transactions contemplated under each of the Consultancy Services Agreement and the New Lease Agreement will constitute continuing connected transactions for Zhenro Services under Chapter 14A of the Listing Rules.

With respect to the Consultancy Services Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for the Consultancy Services Agreement exceed(s) 5%, the Consultancy Services Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

With respect to the New Lease Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for the New Lease Agreement exceed(s) 0.1% but all of them are less than 5%, the New Lease Agreement is subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING FOR ZHENRO SERVICES

Reference is made to the Prospectus in relation to the listing of the shares of Zhenro Services on the Main Board of the Stock Exchange by way of Global Offering. The total Net Proceeds raised by Zhenro Services from the Global Offering, after deducting the underwriting commission and other estimated expenses, amounted to approximately HK\$1,267.7 million (equivalent to approximately RMB1,141.7 million).

Having considered the prospects of the Target Group, the benefits which the Transaction may bring to Zhenro Services Group and the reasons for and benefits of the Transaction as set out in the paragraph headed "3. Reasons for and Benefits of the Sale and Purchase Agreement, the Consultancy Services Agreement, the Existing Lease Agreements and the New Lease Agreement" in this announcement, and in order to utilise the Unutilised Net Proceeds more efficiently and facilitate the efficient allocation of financial resources of Zhenro Services, the Zhenro Services Board has resolved to apply the proceeds which were originally planned for pursuing strategic investment and acquisition opportunities including acquisitions for property management companies which meet certain selection criteria and property management companies with community products and services that are complementary to those of Zhenro Services to finance part of the consideration under the Sale and Purchase Agreement. As a result, approximately RMB628.0 million of the Unutilised Net Proceeds will be re-allocated to finance the Transaction. Please refer to the section headed "9. Change in Use of Proceeds from the Global Offering for Zhenro Services" for more details.

GENERAL

Zhenro Services will convene and hold an EGM for the Independent Shareholders to consider and, if thought fit, approve (i) the Sale and Purchase Agreement and (ii) the Consultancy Services Agreement and the proposed annual caps contemplated thereunder.

Zhenro Services has established the Independent Board Committee comprising all three independent non-executive directors of Zhenro Services to advise the Independent Shareholders as to whether the terms of each of (i) the Sale and Purchase Agreement and (ii) the Consultancy Services Agreement and the proposed annual caps 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 Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Giraffe Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

A circular containing, among other things, (i) a letter from the Zhenro Services Board containing further information on the Sale and Purchase Agreement, the Consultancy Services Agreement and the respective transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the 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 30 June 2021 to allow sufficient time for the preparation of the relevant information for inclusion therein.

Completion of the Transaction is subject to the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement and the transactions contemplated under the Sale and Purchase Agreement and the Consultancy Services Agreement may or may not materialise. Shareholders and potential investors of Zhenro Properties and Zhenro Services are advised to exercise caution when dealing in the securities of Zhenro Properties and Zhenro Services.

1. THE SALE AND PURCHASE AGREEMENT

The Zhenro Properties Board and the Zhenro Services Board are pleased to jointly announce that on 19 May 2021, the Purchasers (each a wholly-owned subsidiary of Zhenro Services) and Zhenro Properties Holdings (a wholly-owned subsidiary of Zhenro Properties) entered into the Sale and Purchase Agreement pursuant to which the Purchasers have conditionally agreed to acquire, and Zhenro Properties Holdings has conditionally agreed to dispose of, the Target Interest at the total consideration of RMB891 million, subject to the Consideration Adjustment.

Certain principal terms of the Sale and Purchase Agreement are summarised as follows:

Date:

19 May 2021

Parties

- (i) Zhenro Properties Holdings, as vendor
- (ii) 福州匯華企業管理諮詢有限公司(Fuzhou Huihua Enterprise Management Consultancy Co., Ltd.*), as Purchaser I
- (iii) 福建正榮物業服務有限公司(Fujian Zhenro Property Service Co., Ltd.*), as Purchaser II
- (iv) the Target Company

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchasers have conditionally agreed to acquire, and Zhenro Properties Holdings has conditionally agreed to dispose of, the Target Interest, being an aggregate of 99% equity interest in the Target Company (as to 79.2% to be acquired by Purchaser I and as to 19.8% to be acquired by Purchaser II).

Consideration

The aggregate consideration for the Transaction is RMB891 million, among which the consideration payable by Purchaser I and Purchaser II for the acquisition of 79.2% and 19.8% equity interest in the Target Company is RMB712.8 million and RMB178.2 million respectively, subject to the Consideration Adjustment.

The consideration is payable by the Purchasers to Zhenro Properties Holdings in cash in the following manner:

(i) First instalment

RMB534.6 million, representing 60% of the total consideration for the Transaction, shall be payable by the Purchasers to Zhenro Properties Holdings within fifteen (15) business days upon fulfilment (or, as the case may be, waived by the Purchasers) of all the conditions precedent to the First Equity Transfer under the Sale and Purchase Agreement (the “**First Instalment**”), among which RMB427.68 million shall be payable by Purchaser I and RMB106.92 million shall be payable by Purchaser II.

(ii) Final instalment

Subject to the Consideration Adjustment, RMB356.4 million, representing 40% of the total consideration for the Transaction, shall be payable by the Purchasers to Zhenro Properties Holdings within fifteen (15) business days upon fulfilment (or, as the case may be, waived by the Purchasers) of all the conditions precedent to the Second Equity Transfer under the Sale and Purchase Agreement (the “**Final Instalment**”), among which RMB285.12 million shall be payable by Purchaser I and RMB71.28 million shall be payable by Purchaser II.

(iii) Consideration Adjustment

If the net profit of the Target Company for 2021 is less than RMB60 million, the Final Instalment payable by the Purchaser will be adjusted accordingly (“**Consideration Adjustment**”) as follows:

The Final Instalment payable by Purchaser I to the Vendor (in RMB) = $285,120,000 - (60,000,000 - p) \times 99\% \times 80\% \times c$

The Final Instalment payable by Purchaser II to the Vendor (in RMB) = $71,280,000 - (60,000,000 - p) \times 99\% \times 20\% \times c$

Note: “p” (being an amount less than RMB60 million) represents the net profit of the Target Company for 2021; and

“c” represents the total consideration of RMB891 million for the transaction divided by the corresponding 99% equity interest and then divided by RMB60 million, namely the guaranteed profit of the Target Company for 2021.

The First Instalment paid by the Purchasers to Zhenro Properties Holdings pursuant to the First Equity Transfer under the Sale and Purchase Agreement shall not be affected by the Consideration Adjustment.

The consideration for the Transaction was determined after arm’s length negotiations between the Purchasers and Zhenro Properties Holdings on normal commercial terms with reference to, among other things, (i) the appraised fair value of the Target Company of approximately RMB909 million, based on the valuation report prepared by an independent professional valuer using the market approach; (ii) the future business prospects of the Target Group and the industry in which the Target Group is engaged in; and (iii) reasons and benefits of the Transaction as stated under the paragraph headed “3. Reasons for and Benefits of the Sale and Purchase Agreement, the Consultancy Services Agreement, the Existing Lease Agreements and the New Lease Agreement” below. In view of the above, the Zhenro Properties Directors and the Zhenro Services Directors consider that the consideration for the Transaction (including the Consideration Adjustment) is fair and reasonable.

The consideration for the Transaction will be partly funded by the unutilised net proceeds raised from the Global Offering of Zhenro Services as to RMB628 million with the remaining to be financed by internal resources of Zhenro Services. Further details are set out in the paragraph headed “9. Change in Use of Proceeds from the Global Offering for Zhenro Services” below.

Conditions precedent

(i) Conditions precedent to the First Equity Transfer

The First Completion is conditional upon the following conditions precedent to the First Equity Transfer being fulfilled and/or waived (as the case may be) by the Purchasers:

- (a) the passing of the necessary resolution(s) by the shareholders of the Target Company at general meeting to approve, among other things, the transfer of the Target Interest, including (i) the unanimous resolutions of all the shareholders of the Target Company to transfer the Target Interest as contemplated under the Sale and Purchase Agreement; (ii) the Remaining Shareholder having agreed to waive any right of first refusal or any other pre-emptive right; and (iii) the shareholders of the Target Company having approved the execution of the Sale and Purchase Agreement and the amended articles of association or any proposed amendments to the articles of association of the Target Company pursuant to the Sale and Purchase Agreement;
- (b) the Sale and Purchase Agreement having been duly executed by all parties thereto, and remained in full force and effect and not having been rescinded, terminated or revoked as at the date of the First Completion;
- (c) all representations and warranties made by Zhenro Properties Holdings and the Target Company remained true, complete, accurate, not misleading and with no material omission as at the date of the First Completion;
- (d) each of Zhenro Properties Holdings and the Target Company having performed and complied with all obligations contained in the Sale and Purchase Agreement that are required to be performed or complied with by it on or before the First Completion;
- (e) the audit on the Target Group for the financial year of 2020 having been completed with the audit report being issued to the satisfaction of the Purchasers; and
- (f) the passing of ordinary resolution(s) by the Independent Shareholders of Zhenro Services at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

(ii) Conditions precedent to the Second Equity Transfer

The Second Completion is conditional upon the following conditions precedent to the Second Equity Transfer being fulfilled and/or waived (as the case may be) by the Purchasers:

- (a) conditions precedent (a) to (d) to the First Equity Transfer having been fulfilled;
- (b) the First Instalment having been paid by the Purchasers to Zhenro Properties Holdings in accordance with the Sale and Purchase Agreement;

- (c) all necessary registrations required for the First Equity Transfer under the Sale and Purchase Agreement having been completed and the relevant documents and/or certifications having been provided by the Target Company, such that each of the Purchasers has become the registered shareholder of the Target Company and is entitled to the corresponding shareholder's rights; and
- (d) the management accounts of the Target Company for the financial year of 2021 having been provided by the Target Company to the Purchasers and having been accepted by the Purchasers.

The Purchasers may waive the above conditions precedent to the First Equity Transfer (except for condition precedent (f) to the First Equity Transfer) and/or conditions precedent to the Second Equity Transfer at any time as they may deem reasonably appropriate.

If the conditions precedent to the First Equity Transfer are not fulfilled or waived by the Purchasers (as the case may be), the Sale and Purchase Agreement shall automatically terminate and none of the parties thereto shall have any claim against the other in respect of the Transaction save for any antecedent breach of the Sale and Purchase Agreement prior to such termination.

Completion

(i) The First Completion

The First Completion shall take place on the day on which the First Instalment has been paid by the Purchasers to Zhenro Properties Holdings and the First Equity Transfer has been carried out by Zhenro Properties Holdings. All necessary registrations required for the First Equity Transfer under the Sale and Purchase Agreement shall be completed within thirty (30) business days after the First Completion, as a result of which the Target Company will be owned as to approximately 47.52%, 11.88%, 39.6% and 1% by Purchaser I, Purchaser II, Zhenro Properties Holdings and the Remaining Shareholder, respectively. Accordingly, upon the First Completion, the Target Company will be indirectly owned as to 59.4% by Zhenro Services and will become a non-wholly owned subsidiary of Zhenro Services and the financial results of the Target Company will be consolidated into Zhenro Services' financial statements. Upon the First Completion, the Target Company and other members of the Target Group will cease to be subsidiaries of Zhenro Properties and their financial results will no longer be consolidated into Zhenro Properties' financial statements.

It is expected that the First Completion will take place in late June 2021.

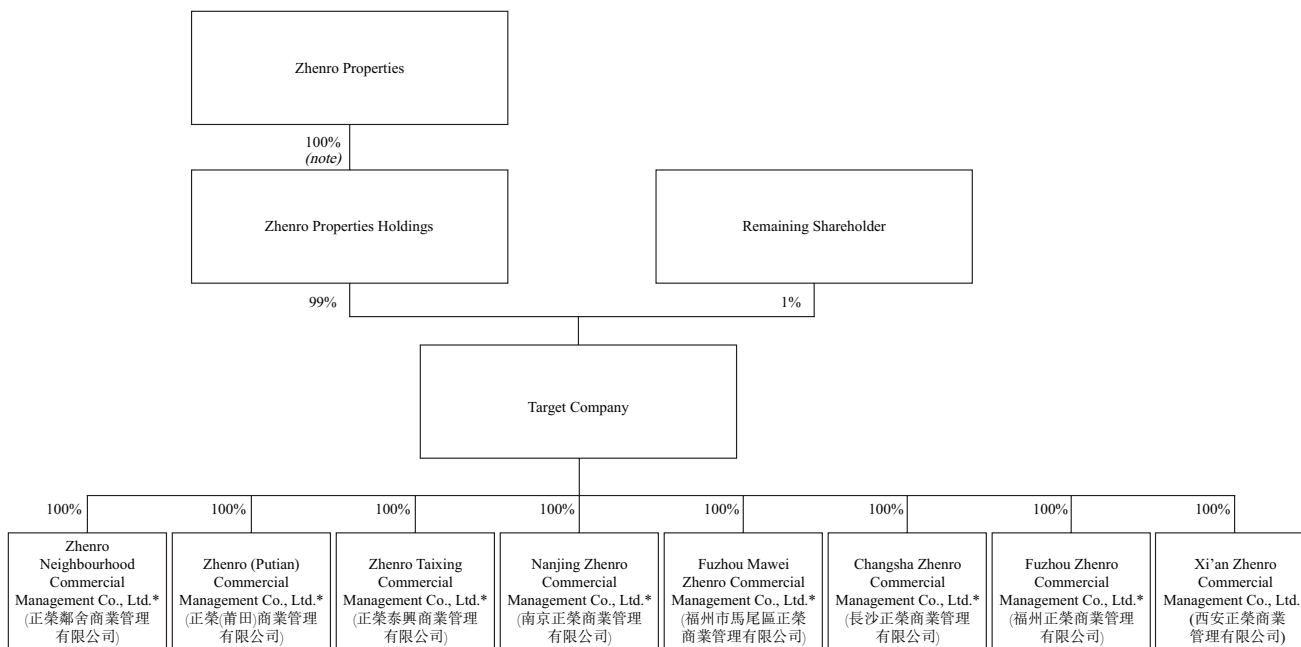
(ii) The Second Completion

The Second Completion shall take place on the day on which the Final Instalment has been paid by the Purchasers to Zhenro Properties Holdings and the Second Equity Transfer has been carried out by Zhenro Properties Holdings. All necessary registrations required for the Second Equity Transfer under the Sale and Purchase Agreement shall be completed within thirty (30) business days after the Second Completion, as a result of which, the Target Company will be owned as to approximately 79.2%, 19.8% and 1% by Purchaser I, Purchaser II and the Remaining Shareholder, respectively. Accordingly, the Target Company will be indirectly owned as to 99% by Zhenro Services and will continue to be a non-wholly owned subsidiary of Zhenro Services.

It is expected that the Second Completion will take place by 30 June 2022.

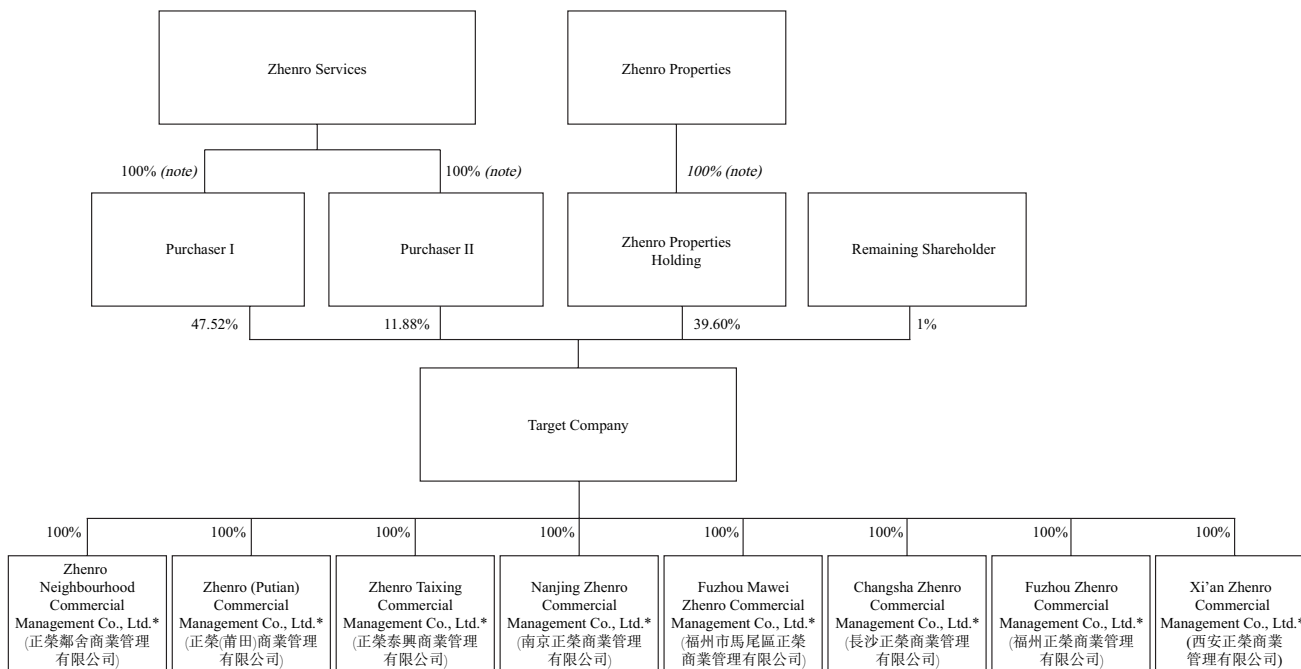
The shareholding structure of the Target Company as at the date of this announcement and immediately after the First Completion and the Second Completion is set out below:

(i) As at the date of this announcement



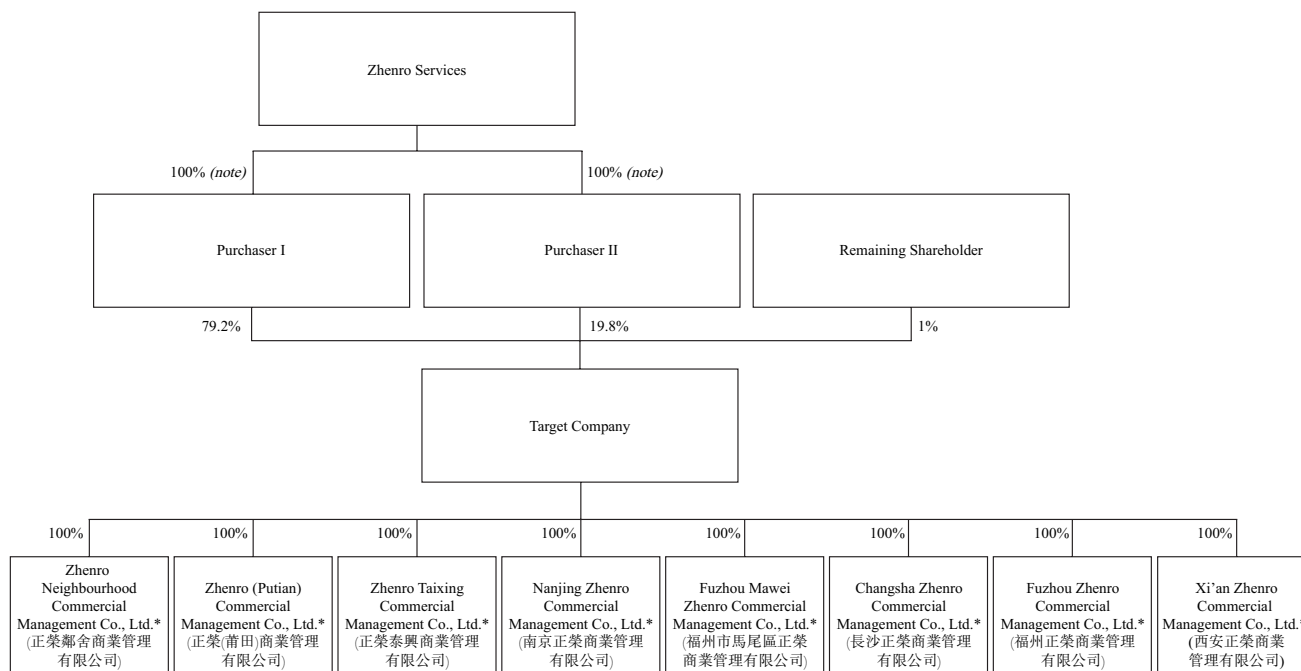
Note: Indirect interest

(ii) Immediately after the First Completion



Note: Indirect interest

(iii) Immediately after the Second Completion



Note: Indirect interest

2. POSSIBLE CONTINUING CONNECTED TRANSACTIONS

As a result of the Transaction, the Target Company will become a non-wholly owned subsidiary of Zhenro Services and the transactions between Zhenro Properties Group and the Target Group will become continuing connected transactions for each of Zhenro Properties and Zhenro Services under Chapter 14A of the Listing Rules.

2.1 Consultancy Services Agreement

On 19 May 2021, the Target Company and Zhenro Properties entered into the Consultancy Services Agreement in relation to the provision of commercial property management and consultancy services by the Target Group to Zhenro Properties Group.

Certain principal terms of the Consultancy Services Agreement are summarised as follows:

Date	:	19 May 2021
Parties	:	(i) the Target Company (ii) Zhenro Properties
Term	:	For a period from the date of passing the relevant resolution by the Independent Shareholders at the EGM approving the Consultancy Services Agreement to 31 December 2022 (both days inclusive)

Subject matter :

Pursuant to the Consultancy Services Agreement, the Target Group has agreed to provide commercial property operational and consultancy services to Zhenro Properties Group, including but not limited to (i) pre-acquisition services in respect of land for commercial properties, office buildings, apartments and hotels (including but not limited to commercial land researches, commercial related consultancy and studies, etc.) (the “**Pre-Acquisition Services**”); (ii) early-stage services for commercial property projects having been obtained (including but not limited to project positioning, business planning, store location, architectural design, optimisation of mechanical and electrical engineering technology, planning for tenant sourcing and opening, commercial lease planning, management fee estimation and preparation of lease decision documents, etc.) (the “**Early-Stage Services**”); (iii) opening preparation services for commercial property projects having been obtained (including but not limited to tenant sourcing, marketing and promotion, pre-opening, renovation construction, etc.) (the “**Opening Preparation Services**”); (iv) management services for property projects that have commenced operations (the “**Management Services**”); and (v) specialised consultancy services (the “**Specialised Consultancy Services**”, together with the Pre-Acquisition Services, the Early-Stage Services, the Opening Preparation Services and the Management Services, the “**Consultancy Services**”).

The Consultancy Services Agreement is a framework agreement which provides the mechanism for the provision of the Consultancy Services by the Target Group to Zhenro Properties Group. It is envisaged that from time to time and as required, individual agreements will be entered into between the Target Group and Zhenro Properties Group, setting out the relevant Consultancy Services to be provided by the Target Group to Zhenro Properties Group and the respective service fees. The individual agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Consultancy Services Agreement, including the pricing policy. The term of such individual agreements shall not exceed the term of the Consultancy Services Agreement. As the individual agreements are simply further elaborations on the Consultancy Services Agreement, they do not constitute new categories of connected transactions under Chapter 14A of the Listing Rules.

Pricing policy : The basis of determining the service fees payable by Zhenro Properties Group to the Target Group in respect of the Consultancy Services contemplated under the Consultancy Services Agreement will be determined in the ordinary course of business, on normal commercial terms, and shall be negotiated on an arm's length basis after taking into account, including but not limited to (i) the size, location and condition of the property; (ii) the nature and scope of the service; (iii) expected operating costs (including but not limited to personnel costs, administrative costs and relevant costs); (iv) prevailing market prices for similar services provided to similar properties; and (v) prices that the Target Group charges for providing similar services to independent third parties.

Historical transaction amounts : The approximate historical aggregate transaction amounts of service fees in respect of the Consultancy Services provided by the Target Group to Zhenro Properties Group for the three financial years ended 31 December 2020 are set out below:

For the year ended 31 December 2018 RMB33,566,000

For the year ended 31 December 2019 RMB33,040,000

For the year ended 31 December 2020 RMB72,660,000

Proposed annual caps : The proposed annual caps of the Consultancy Services contemplated under the Consultancy Services Agreement for each of the financial years ending 31 December 2021 and 2022 are set out below:

For the year ending 31 December 2021 RMB80,000,000

For the year ending 31 December 2022 RMB90,000,000

The proposed annual caps of the Consultancy Services contemplated under the Consultancy Services Agreement are determined with reference to (i) the historical transaction amounts of service fees in respect of the Consultancy Services provided by the Target Group to Zhenro Properties Group for the year ended 31 December 2020; (ii) the anticipated volume of Consultancy Services required to be provided by the Target Group to Zhenro Properties Group as of 31 December 2022, taking into account the projects volume and the project development plan of Zhenro Properties Group during such period; and (iii) the expected service fees to be charged by the Target Group for the provision of the Consultancy Services.

2.2 Existing Lease Agreements

2.2.1 Background and scope of the Existing Lease Agreements

Prior to the date of the Sale and Purchase Agreement, members of the Zhenro Properties Group (as lessor) entered into the Existing Lease Agreements with members of the Target Group (as lessee) in respect of the lease of certain properties. Upon the First Completion, the transactions contemplated under the Existing Lease Agreements will constitute continuing connected transactions for Zhenro Properties under Chapter 14A of the Listing Rules.

Pursuant to each Existing Lease Agreement, each lessee leases the entire property from the relevant lessor, and has the right to procure tenants and sub-lease any units in the relevant property, and to engage in advertising, management and operation activities in respect of the relevant property.

The principal terms of the Existing Lease Agreements are briefly set out below.

2.2.2 Existing Lease Agreement (Putian)

Date	:	10 December 2020
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	:	3 years from 1 January 2021 to 31 December 2023 (both dates inclusive)
Total site area	:	250,764.83 square meters
Annual rental fee	:	RMB45,475,500 for the first year, subject to an increment of 5% for every subsequent year.

The rental fee under the Existing Lease Agreement (Putian) was determined after arm’s length negotiations between the parties with reference to the prevailing market rental fee 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 Target Group for commercial operational management of the property developed by Zhenro Properties, and the rental cost is determined to be RMB45,475,500 for 2021.

Payment terms	:	The rental fee payable under the Existing Lease Agreement (Putian) shall be payable by the lessee to the lessor in equal sum, representing 50% of the annual rental fee, on a bi-annual basis.
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2.2.3 Existing Lease Agreement (Fuzhou Mabao)

Date	:	16 December 2020
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	:	3 years from 1 January 2021 to 31 December 2023 (both dates inclusive)
Total site area	:	57,360.29 square meters
Annual rental fee	:	RMB16,780,000 for the first year, subject to an increment of 5% for every subsequent year.

The rental fee under the Existing Lease Agreement (Fuzhou Mabao) was determined after arm’s length negotiations between the parties with reference to the prevailing market rental fee 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 the Target Group for 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 RMB16,780,000 for 2021.

Payment terms	:	The rental fee payable under the Existing Lease Agreement (Fuzhou Mabao) shall be payable by the lessee to the lessor in equal sum, representing 50% of the annual rental fee, on a bi-annual basis.
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2.2.4 Existing Lease Agreement (Fuzhou Mawei)

- Date** : 16 December 2020
- 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** : 3 years from 1 January 2021 to 31 December 2023 (both dates inclusive)
- Total site area** : 19,738.41 square meters
- Annual rental fee** : RMB1,100,000 for the first year, subject to an increment of 5% for every subsequent year.

The rental fee under the Existing Lease Agreement (Fuzhou Mawei) was determined after arm’s length negotiations between the parties with reference to the prevailing market rental fee 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 the Target Group for 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 RMB1,100,000 for 2021.

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

2.2.5 Existing Lease Agreement (Changsha)

Date	:	1 January 2021
Parties	:	(a) Zhenro Real Estate (Changsha), as lessor (b) Zhenro Commercial Management (Changsha), as lessee
Particulars of the property	:	Zhenro Fortune Centre, Wangfu Road, Wangcheng District, Changsha City* (長沙市望城區望府路正榮財富中心), which is known as “Changsha Zhenro Fortune Centre* (長沙正榮財富中心)”
Term of the lease	:	3 years from 1 January 2021 to 31 December 2023 (both dates inclusive)
Total site area	:	63,100 square meters
Annual rental fee	:	RMB6,750,000 for the first year, subject to an increment of 5% for every subsequent year.

The rental fee under the Existing Lease Agreement (Changsha) was determined after arm’s length negotiations between the parties with reference to the prevailing market rental fee for comparable premises in the vicinity of the property. After a professional urban market research on the prognosis of the commercial development of Changsha, combined with the current rents under the lease contracts of all tenants of the properties and the cost incurred in commercial operational management, a sublease model is adopted by the Target Group for commercial operational management of properties developed by Zhenro Properties, and the rental cost is determined to be RMB6,750,000 in 2021.

Payment terms	:	The rental fee payable under the Existing Lease Agreement (Changsha) shall be payable by the lessee to the lessor in equal sum, representing 50% of the annual rental fee, on a bi-annual basis.
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2.3 New Lease Agreement

2.3.1 Background and scope of the New Lease Agreement

On 10 May 2021, Xi'an Jingheng Real Estate (as lessor) entered into the New Lease Agreement with Zhenro Commercial Management (Xi'an) (as lessee) in respect of the lease of the Xi'an Property.

Pursuant to the New Lease Agreement, the lessee leases the entire property from the lessor, and has the right to procure tenants and sub-lease any units in the Xi'an Property, and to engage in advertising, management and operation activities in respect of the Xi'an Property.

The principal terms of the New Lease Agreement are briefly set out below.

Date	:	10 May 2021
Parties	:	(a) Xi'an Jingheng Real Estate (as lessor) (b) Zhenro Commercial Management (Xi'an) (as lessee)
Particulars of the property	:	No. 268 Linshui Road, Qujiang New Town, Xi'an* (西安曲江新城臨水路268號), which is known as "Xi'an Rainbow Valley*" (西安彩虹谷)
Term of the lease	:	From 10 May 2021 to 31 December 2023 (both dates inclusive)
Total site area	:	123,100.34 square meters
Annual rental fee	:	The rental fee for this property will be paid on an annual basis. The lessee shall pay the lessor rental fee based on 40% of the net profit (being the total income (including rental income, management fees and various income) after deducting all costs and taxes) as shown in the management accounts of the lessee (賬面淨利潤). The amount of such net profit will be jointly confirmed by the lessee and the lessor.

The rental fee under the New Lease Agreement was determined after arm's length negotiations between the parties based on the business model of the Xi'an Property. Due to the pandemic at the beginning of 2020, there was a decline in the occupancy rate and results of operations of Xi'an Rainbow Valley, which is positioned as a parent-child business. Zhenro Properties will engage Zhenro Commercial Management (Xi'an) to carry out investment promotion adjustment for the project, based on the expertise of Zhenro Commercial Management (Xi'an) in operational management. Meanwhile, in order to improve the operating efficiency of Zhenro Commercial Management (Xi'an), and as the rental fee payable by most of the tenants of the Xi'an Property is on a revenue-sharing basis, the lessor and lessee have agreed that the rental fee under the New Lease Agreement will be calculated on a profit-sharing basis.

Payment terms : The lessee shall calculate the net profit of the preceding rental year before January 10 of each year, and pay the lessor the preceding year's rental fee within 10 days after such calculation.

Proposed annual caps : The estimated maximum annual amounts of rental fee payable by the lessee to the lessor under the New Lease Agreement are set out below:

For the year ending 31 December 2021 RMB10,000,000

For the year ending 31 December 2022 RMB10,000,000

For the year ending 31 December 2023 RMB10,000,000

The above proposed annual caps are determined based on the estimated rental income receivable by Zhenro Commercial Management (Xi'an) from the tenant, with an appropriate margin to cater for fluctuation. During the year, the Target Group carried out joint operation and cooperation with merchant brands to improve its brand level, mostly through the revenue-sharing model. Therefore, the adoption of profit (revenue minus cost) sharing lease model is conducive to the stable operation of the brands and the team stability of Target Group, which will enhance the stable operation of the project, and achieve a stable income. The profit distribution ratio will be determined after taking into account the costs invested by Target Group in similar regions to achieve the profit target and the profit budget target of Zhenro Properties on the project. The model is conducive to long-term cooperation between the two parties.

3. REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE AGREEMENT, THE CONSULTANCY SERVICES AGREEMENT, THE EXISTING LEASE AGREEMENTS AND THE NEW LEASE AGREEMENT

3.1 The Zhenro Properties Board's view

3.1.1 The Sale and Purchase Agreement

The Zhenro Properties Board believes that the Transaction will enable Zhenro Properties to focus on its core business, namely real estate development business, and optimise its financial structure. As it is not the current business strategy of Zhenro Properties to expand the commercial property management and operational services business in the long run, the Zhenro Properties Board believes it is in the best interest of Zhenro Properties to dispose of the Target Group such that it could consolidate its resources and costs to focus on Zhenro Properties Group's core business. After considering the total assets, income, profit and other financial information of the Target Group, as one or more applicable percentage ratios in respect of the Sale and Purchase Agreement exceed(s) 0.1% but all of them are less than 5%, the Transaction does not constitute a notifiable transaction for Zhenro Properties under Chapter 14 of the Listing Rules.

The consideration for the disposal of the Target Group reached RMB891 million, therefore the Transaction could further optimise the capital structure of Zhenro Properties. Zhenro Properties Group expects that the Transaction will record a net gain of approximately RMB814 million, which is calculated based on the difference between the consideration for the Transaction of RMB891 million and the audited net asset value of the Target Group of RMB73 million as at 31 December 2020 and deducting the estimated transaction cost in relation to the Transaction. The net gain from the Transaction will be subject to final audit. Zhenro Properties Group plans to use the proceeds from the Transaction for general working capital purposes.

The two-stage completion adopted in the current structure would allow an appropriate period for a smooth transition and hand-over of the operation of the Target Group to Zhenro Service, and allow time for the finalisation of the Consideration Adjustment under the Sale and Purchase Agreement.

3.1.2 The Consultancy Services Agreement

The Target Group has relatively extensive experience in commercial operational management and consultancy services. The disposal of the Target Group to Zhenro Services and the entering into lease arrangement for certain commercial properties with the Target Group will optimise the operation of the commercial assets of Zhenro Properties Group and diversify operational risks from the Target Company for the shareholders of Zhenro Properties.

The relationship between the Target Group and Zhenro Properties is mutually beneficial and complementary to both the Target Group and Zhenro Properties. Although there are vast choices of consultancy service providers in the market which Zhenro Properties Group may select from, the Zhenro Properties Board considers that it may not be in its best interest to engage a new service provider to replace the Target Group considering the amount of time for such service provider to get familiar with Zhenro Properties Group's strategy and requirements and to provide equally satisfactory services as compared to the Target Group.

Given (i) the long and close cooperation relationship with Target Group and Zhenro Properties; (ii) the Target Group's familiarity with Zhenro Properties' strategy and requirements; (iii) the mutual benefits for both Zhenro Properties Group and the Target Group to continue with the current relationship; and (iv) the time required and the uncertainties involved for Zhenro Properties to engage a new service provider which is able to provide equally satisfactory services to replace the Target Group, the Zhenro Properties Board is of the view that it is of Zhenro Properties' best interest to continue to engage the Target Group to provide the Consultancy Services under the Consultancy Services Agreement.

3.1.3 The Existing Lease Agreements

The four projects for which the Target Group intends to continue under the Existing Lease Agreements after completion of the Transaction are Putian Fortune Center* (莆田財富中心), Fuzhou Mabao Zhenro Fortune Centre* (福州馬寶正榮財富中心), Fuzhou Mawei Zhenro Fortune Centre* (福州馬尾正榮財富中心) and Changsha Zhenro Fortune Centre* (長沙正榮財富中心). Since the opening of the above commercial properties, the Target Group has been providing high-quality business management services to Zhenro Properties, and has 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 the Target Company has an extensive experience in commercial operational management, which gives it a competitive edge in this industry. In view of the outstanding past performance of the Target Group, Zhenro Properties and the Target Group have continued with the four Existing Lease Agreements such that there is no disruption to the existing sub-lease arrangement currently in force. The Zhenro Properties Board is also of the view that the Existing Lease Agreements will enable Zhenro Properties to receive a stable rental income and diversify operational risks on the commercial properties and the terms of the Existing Lease Agreements are on normal commercial terms and are fair and reasonable.

3.1.4 The New Lease Agreement

The new contract entered into in respect of the Xi'an Property is based on a profit-sharing model, that is, if the Target Group suffers a loss, Zhenro Properties does not charge rent, and when the Target Group is profitable, Zhenro Properties will receive 40% of the net profit of Zhenro Commercial Management (Xi'an) as rent. As a result of the pandemic in the past two years, the occupancy rate has declined and the external leasing situation is not in good condition. As such, the Zhenro Properties Board believes that the profit-sharing model would encourage the Target Group to use its professional business operation capabilities to improve the business environment and performance.

3.1.5 General

The Zhenro Properties Board (including the independent non-executive directors of Zhenro Properties) is of the view that the terms of the Sale and Purchase Agreement, the Consultancy Services Agreement and the New Lease Agreement, the continuation of the Existing Lease Agreements and the respective transactions contemplated thereunder 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 the son of Mr. Ou, who is the controlling shareholder of each of Zhenro Properties and Zhenro Services. As such, Mr. Ou Guowei is or may be regarded as having interest in respect of the relevant board resolutions in connection with the Sale and Purchase Agreement, the Consultancy Services Agreement and the New Lease Agreement, and the continuation of the Existing Lease Agreements. As a good corporate governance practice, Mr. Ou Guowei had voluntarily abstained from voting on the relevant resolutions of the Zhenro Properties Board approving the Sale and Purchase Agreement, the Consultancy Services Agreement and the New Lease Agreement, and the continuation of the Existing Lease Agreements.

Mr. Huang Xianzhi is an executive director of Zhenro Properties and a non-executive director of Zhenro Services. Mr. Chan Wai Kin is an executive director of Zhenro Properties and a non-executive director of Zhenro Services. As a good corporate governance practice, each of Mr. Huang Xianzhi and Mr. Chan Wai Kin had also abstained from voting on the relevant resolutions of the Zhenro Properties Board approving the Sale and Purchase Agreement, the Consultancy Services Agreement and the New Lease Agreement and the continuation of the Existing 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 Sale and Purchase Agreement, the Consultancy Services Agreement, the New Lease Agreement and the continuation of the Existing 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.

3.2 The Zhenro Services Board's view

3.2.1 The Sale and Purchase Agreement

The development direction and goal of Zhenro Services has been to further improve the Company's market position in China's property management industry and enhance the Company's comprehensive service capabilities in the property management industry on the existing basis. In addition to focusing on acquisition targets in the residential property sector, Zhenro Services has been considering and seeking to find suitable acquisition targets in commercial management sector as the commercial operational management sector has attracted more interest from peers in general as a result of the current trend and preference of investors to invest in companies with integrated residential and commercial operational management service capabilities. After conducted feasibility study on different targets available in the market including their respective branding, valuation and price of the targets and scope of services provided by the targets, the Zhenro Services Board believes that the Target Group meets the acquisition standards of Zhenro Services in terms of operating model, scale and branding.

The Zhenro Services Board considers the Target Group a suitable target for the future development and expansion plan of Zhenro Services for the following reasons:

- (1) The Target Group has built a reputable brand in the industry and the management of the commercial properties under the “Zhenro” brand name by the Target Group provides a better effect in achieving the integration of both residential and commercial management service capabilities, as compare to other target companies with different brand names. The Zhenro Services Board believes the integration of both residential and commercial management service capabilities could increase the overall value of the Zhenro Services Group as a whole in the long run;
- (2) With strong footprints in major cities such a Shanghai, Nanjing, Chengdu, Fuzhou, Changsha and Putian, the acquisition as contemplated under the Sale and Purchase Agreement could bring synergy effect to further strengthen the market position of Zhenro Services in those cities; and
- (3) In addition to the existing over 20 commercial projects which are currently under the management of the Target Group, the Target Group had secured a considerable number of new projects in the pipeline, which the Zhenro Services Board believes could bring an additional source of revenue to Zhenro Services. With the support and commitment of Zhenro Services in developing and expanding the commercial management services business after completion of the Transaction, the Zhenro Services Board believes the Target Group has strong growth potential in the next few years.

The two-stage completion adopted in the current structure would allow an appropriate period for a smooth transition and hand-over of the operation of the Target Group to Zhenro Service, and allow time for the finalisation of the Consideration Adjustment under the Sale and Purchase Agreement.

3.2.2 The Consultancy Services Agreement

The Target Group has been providing consultancy services regarding commercial properties of Zhenro Properties, which commenced from land pre-acquisition, through construction stage all the way to commercial operation and is familiarised with Zhenro Properties’ strategy and requirements.

Considering that Zhenro Properties is a leading real estate company in the industry and the long-standing cooperation between the Target Group and the Zhenro Properties Group, the entering into of the Consultancy Services Agreement with the Zhenro Properties Group is conducive to continuous business stability of the Target Group and is also expected to contribute stable income to Zhenro Services Group.

3.2.3 The New Lease Agreement

Since the beginning of 2020, the occupancy rate of Xi'an Rainbow Valley has declined as affected by the pandemic and the investment and operation performance has declined as it is currently in the investment adjustment period which requires certain service and promotional costs. Xi'an Rainbow Valley and tenants adopt a revenue-sharing model as the cooperation model, which is a common practice within the industry. Based on the above reasons, the Target Group and Zhenro Properties decide to adopt a profit-sharing model for the New Lease Agreement. This model is conducive to improving business management and operational efficiency, as well as stimulating the growth of operational performance.

3.2.4 General

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 Independent Financial Adviser) is of the view that the terms of the Sale and Purchase Agreement, the Consultancy Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of Zhenro Services and its shareholders as a whole. In addition, the Zhenro Services Board (including the independent non-executive directors of Zhenro Services) is of the view that the terms of the New Lease Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of Zhenro Services and its shareholders as a whole.

Mr. Huang Xianzhi is an executive director of Zhenro Properties and a non-executive director of Zhenro Services. Mr. Chan Wai Kin is an executive director of Zhenro Properties and a non-executive director of Zhenro Services. As a good corporate governance practice, each of Mr. Huang Xianzhi and Mr. Chan Wai Kin had abstained from voting on the relevant resolutions of the Zhenro Services Board approving the Sale and Purchase Agreement, the Consultancy Services Agreement and the New Lease Agreement.

Save for the aforesaid, none of the other Zhenro Services Directors had or may be regarded as having a material interest in the Sale and Purchase Agreement, the Consultancy Services Agreement, the New Lease Agreement 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.

4. INFORMATION ON THE TARGET GROUP

4.1 The Target Group

As at the date of this announcement, the Target Company has eight wholly-owned subsidiaries, namely Zhenro Neighbourhood Commercial Management Co., Ltd* (正榮鄰舍商業管理有限公司), Zhenro Taixing Commercial Management Co., Ltd.* (正榮泰興商業管理有限公司), Nanjing Zhenro Commercial Management Co., Ltd.* (南京正榮商業管理有限公司), Zhenro Commercial Management (Putian), Zhenro Commercial Management (Fuzhou Mawei), Zhenro Commercial Management (Changsha), Zhenro Commercial Management (Fuzhou) and Zhenro Commercial Management (Xi'an).

The Target Group is principally engaged in the provision of commercial operation and management services for commercial properties. As at the date of this announcement, the Target Company is owned as to 99% by Zhenro Properties Holdings and 1% by the Remaining Shareholder.

The Target Group currently has commercial operational management business and brand management output commercial operational management business with third-party companies. Current sublease projects and the services provided include without limitation:

- (1) Sub-leasing services: Shanghai Xujing Zhenro Centre, Shanghai Qingpu Rongyu Apartment, Nanjing Zhenro Centre, Yueyang Hengyunli, Taixing Phoenix Plaza, Changzhou Xinghu Plaza, Changzhou Exotic Street and Chengdu 133 Mall Huiyuan Plaza;
- (2) Operation management services: Fuzhou Mabao Zhenro Fortune Centre, Fuzhou Mawei Zhenro Fortune Centre, Putian Fortune Centre, Putian Zhenro Street, Changsha Zhenro Fortune Centre and Nanping Dongsheng Mall;
- (3) Planning consultancy services: Hefei Metropolis 1907, Nanping Zhenro Fortune Centre, Shanghai Qingpu Rongyu Apartment, Shanghai Jinshan Rongyu Apartment, Putian Shouxi Park and Changsha Xuhai MGM Plaza; and
- (4) Hotel management services: Putian Zhenro Fortune Centre.

The original cost of the Target Interest by Zhenro Properties Holdings represents the registered capital of the Target Company contributed by Zhenro Properties Holdings at the time of its incorporation, being RMB50,000,000.

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) the Remaining Shareholder is principally engaged in investment holding and is ultimately beneficially owned by Liu Pingshan, Wang Zhiming and other individuals or entities (each holding not more than 10% equity interests in the Remaining Shareholder); and (ii) the Remaining Shareholder and its ultimate beneficial owners are independent third parties.

The summary of the audited financial information of the Target Group for the two years ended 31 December 2019 and 2020 are set out below:

	For the year ended 31 December 2019	For the year ended 31 December 2020
	<i>RMB</i>	<i>RMB</i>
Revenue	107,550,000	144,955,000
Net profits before taxation	20,587,000	43,895,000
Net profits after taxation	15,139,000	33,036,000
Total assets	111,488,000	168,604,000
Net assets	40,227,000	73,263,000

4.2 Zhenro Commercial Management (Putian)

Zhenro Commercial Management (Putian) is a company established in the PRC and a wholly-owned subsidiary of the Target Company. Zhenro Commercial Management (Putian) is principally engaged in commercial operational management and property consultancy services in the PRC.

4.3 Zhenro Commercial Management (Fuzhou Mawei)

Zhenro Commercial Management (Fuzhou Mawei) is a company established in the PRC and a wholly-owned subsidiary of the Target Company. Zhenro Commercial Management (Fuzhou Mawei) is principally engaged in commercial operational management and property consultancy services in the PRC.

4.4 Zhenro Commercial Management (Changsha)

Zhenro Commercial Management (Changsha) is a company established in the PRC and a wholly-owned subsidiary of the Target Company. Zhenro Commercial Management (Changsha) is principally engaged in commercial operational management and property consultancy services in the PRC.

4.5 Zhenro Commercial Management (Fuzhou)

Zhenro Commercial Management (Fuzhou) is a company established in the PRC and a wholly-owned subsidiary of the Target Company. Zhenro Commercial Management (Fuzhou) is principally engaged in commercial operational management and property consultancy services in the PRC.

4.6 Zhenro Commercial Management (Xi'an)

Zhenro Commercial Management (Xi'an) is a company established in the PRC and a wholly-owned subsidiary of the Target Company. Zhenro Commercial Management (Xi'an) is principally engaged in commercial operational management and property consultancy services in the PRC.

5. INFORMATION ON ZHENRO PROPERTIES GROUP

5.1 Zhenro Properties

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, property leasing and commercial property management. The ultimate controlling shareholder of Zhenro Properties is Mr. Ou.

5.2 Zhenro Properties Holdings

Zhenro Properties Holdings is a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties. Zhenro Properties Holdings is principally engaged in investment and development.

5.3 Zhenro Real Estate (Fujian)

Zhenro Real Estate (Fujian) is a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties. Zhenro Real Estate (Fujian) is principally engaged in real estate development and sales.

5.4 Zhenro Real Estate (Mawei)

Zhenro Real Estate (Mawei) is a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties. Zhenro Real Estate (Mawei) is principally engaged in real estate development and sales.

5.5 Zhenro Real Estate (Changsha)

Zhenro Real Estate (Changsha) is a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties. Zhenro Real Estate (Changsha) is principally engaged in real estate development and sales.

5.6 Zhenro Minhou Investment

Zhenro Minhou Investment is a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties. Zhenro Minhou Investment is principally engaged in real estate development and sales.

5.7 Xi'an Jingheng Real Estate

Xi'an Jingheng Real Estate is a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties. Xi'an Jingheng Real Estate is principally engaged in real estate development and sales.

6. INFORMATION ON ZHENRO SERVICES GROUP AND THE PURCHASERS

6.1 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 and community value-added services. The ultimate controlling shareholder of Zhenro Services Group is Mr. Ou.

6.2 Purchaser I

Purchaser I is a company established in the PRC with limited liability and principally engaged in investment holding, other professional consultancy services and corporate management consultancy services in the PRC. Purchaser I is a wholly-owned subsidiary of Zhenro Services.

6.3 Purchaser II

Purchaser II is a company established in the PRC with limited liability and principally engaged in property management in the PRC. Purchaser II is a wholly-owned subsidiary of Zhenro Services.

7. LISTING RULES IMPLICATIONS

7.1 In respect of Zhenro Properties

As at the date of this announcement, Zhenro Properties and Zhenro Services are indirectly owned as to approximately 54.60% and approximately 63.26% by Mr. Ou, respectively. Mr. Ou is therefore the controlling shareholder of Zhenro Properties, and members of Zhenro Services Group, being associates of Mr. Ou, are connected persons of Zhenro Properties under Chapter 14A of the Listing Rules.

7.1.1 The Sale and Purchase Agreement

With respect to the Sale and Purchase Agreement, as Purchaser I and Purchaser II, being members of the Zhenro Services Group, are connected persons of Zhenro Properties, the Transaction constitutes a connected transaction for Zhenro Properties under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Sale and Purchase Agreement exceed(s) 0.1% but all of them are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

7.1.2 The Consultancy Services Agreement, the Existing Lease Agreements and New Lease Agreement

Upon the First Completion, the Target Company will become a non-wholly owned subsidiary of the Zhenro Services Group. Accordingly, upon the First Completion, the transactions contemplated under each of (i) the Consultancy Services Agreement, (ii) the Existing Lease Agreements and (iii) the New Lease Agreement will constitute continuing connected transactions for Zhenro Properties under Chapter 14A of the Listing Rules.

With respect to the Consultancy Services Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for the Consultancy Services Agreement exceeds 0.1% but all of them are less than 5%, the Consultancy Services Agreement is subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

With respect to the Existing Lease Agreements, pursuant to Rule 14A.60(1) of the Listing Rules, Zhenro Properties is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules regarding the continuing connected transactions under the Existing Lease Agreements, each of which is an agreement for a fixed period with fixed terms. Zhenro Properties and Zhenro Services will comply with all applicable requirements under Chapter 14A of the Listing Rules upon variation or renewal of any of the Existing Lease Agreements.

With respect to the New Lease Agreement, as all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for the New Lease Agreement are less than 0.1%, the New Lease Agreement is fully exempted from the shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1)(a) of the Listing Rules.

7.2 In respect of Zhenro Services

As at the date of this announcement, Zhenro Services and Zhenro Properties are indirectly owned as to approximately 63.26% and approximately 54.60% by Mr. Ou, respectively. Mr. Ou is therefore the controlling shareholder of Zhenro Services, and members of the Zhenro Properties Group, being associates of Mr. Ou, are connected persons of Zhenro Services under Chapter 14A of the Listing Rules.

7.2.1 The Sale and Purchase Agreement

With respect to the Sale and Purchase Agreement, as one or more applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Agreement exceed(s) 5% but all of them are less than 25%, the Transaction constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. As Zhenro Properties Holdings, being a member of Zhenro Properties Group is an associate of a connected person of Zhenro Services, the Transaction constitutes a connected transaction for Zhenro Services under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

7.2.2 The Consultancy Services Agreement and the New Lease Agreement

Upon the First Completion, the Target Company will become a non-wholly owned subsidiary of the Zhenro Services Group. Accordingly, upon the First Completion, the transactions contemplated under each of the Consultancy Services Agreement and the New Lease Agreement will constitute continuing connected transactions for Zhenro Services under Chapter 14A of the Listing Rules.

With respect to the Consultancy Services Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for the Consultancy Services Agreement exceed(s) 5%, the Consultancy Services Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

With respect to the New Lease Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for the New Lease Agreement exceed(s) 0.1% but all of them are less than 5%, the New Lease Agreement is subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

8. INTERNAL CONTROL MEASURES

8.1 In respect of Zhenro Properties Group

1. Under the requirements of the internal control system of Zhenro Properties Group, the bidding or price comparison process must be initiated for transactions exceeding a certain amount. For each transaction, business proposals from at least three potential suppliers must be provided, and the internal bidding team (including the relevant contact personnel from the financial department and the business department) are responsible for reviewing the terms of the bidding documents, evaluating the supplier management based on, among other things, the quality of the plan, cost quotation, qualification certification, service quality and finally selecting the supplier with the highest score as the final supplier.
2. Before entering into each transaction, the financial department, legal department and other relevant departments of Zhenro Properties Group will review the relevant terms of each transaction, fully discuss with the relevant departments of Zhenro Properties Group, and finally approve the final transaction agreements based on their authority within Zhenro Properties Group to ensure that each transaction is on normal commercial terms and in compliance with the pricing policy of Zhenro Properties Group.
3. The financial department of Zhenro Properties is responsible for supervising the connected transactions of Zhenro Properties Group. The financial department of Zhenro Properties will regularly monitor and collect detailed information on connected transactions, including but not limited to the implementation of pricing policies, payment arrangements and actual transaction amounts to ensure that the connected transactions are conducted under the framework agreements. In addition, the financial department of Zhenro Properties is responsible for monitoring and reviewing the balance of the annual cap of continuing connected transactions on a monthly basis. If it is expected that the annual cap for continuing connected transactions will be exceeded that year, the finance department of Zhenro Properties will report to the management of Zhenro Properties and take appropriate actions in accordance with the relevant provisions of the Listing Rules.

4. The risk control and compliance department of Zhenro Properties shall be responsible for conducting regular assessments of the internal control procedures of Zhenro Properties Group once a year, including but not limited to the management of relevant information on continuing connected transactions.
5. The senior management of Zhenro Properties shall be responsible for supervising and monitoring the adoption of internal control procedures of Zhenro Properties Group to ensure that the implementation of the pricing policy is in compliance with the framework agreements and the actual transaction amount is controlled within their respective annual caps.

The senior management of Zhenro Properties reviews the implementation of the pricing policy and the monitoring of the annual caps annually.

8.2 In respect of Zhenro Services Group

1. The finance department is responsible for conducting inspections, review and evaluation on a monthly basis on whether the amount of connected transactions is maintained within the annual caps of connected transactions.
2. The finance department is responsible for preparing relevant information. Before a transaction is entered into, at least two quotations of similar transaction must be obtained from independent third parties for price comparison and for approval by risk management and compliance department to ensure that connected transactions are on normal commercial terms and that the relevant prices and terms are not more favourable to Zhenro Properties than those provided to independent third parties by Zhenro Services Group.
3. The finance department must submit a summary of the connected transactions of Zhenro Services Group to the risk control and compliance department for review. The risk control and compliance department will assess whether a transaction can constitute the transaction subject to any disclosure or approval requirements under the Listing Rules. Transaction reports of connected transactions must be submitted to management for review every six months and at the end of the year.

4. The senior management of Zhenro Services shall be responsible for supervising and monitoring the adoption of internal control procedures of Zhenro Services Group to ensure that the implementation of the pricing policy is in compliance with the framework agreements and the actual transaction amount is controlled within their respective annual caps.
5. The finance department has a designated employee to monitor related transactions conducted under the Consultancy Services Agreement and the New Lease Agreement. When the transaction limit reaches 80% of the annual cap set under the respective agreement, he/she will promptly inform the general manager of the finance department and the general manager of the finance department will determine whether Zhenro Services can arrange for a revision of the annual cap as appropriate, in compliance with all relevant requirements under Chapter 14A of the Listing Rules. No further transaction will be conducted in excess of the annual cap, and transactions will only resume after the Zhenro Services has complied with all relevant Listing Rules requirements under Chapter 14A in relation to the revised annual cap.

9. CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING FOR ZHENRO SERVICES

Reference is made to the Prospectus in relation to the listing of the shares of Zhenro Services on the Main Board of the Stock Exchange by way of Global Offering. The total net raised by Zhenro Services from the Global Offering, after deducting the underwriting commission and other estimated expenses, amounted to approximately HK\$1,267.7 million (equivalent to approximately RMB1,141.7 million) (the “**Net Proceeds**”). As disclosed in the Prospectus, Zhenro Services intends to apply the Net Proceeds in the following manner:

*RMB million
approximately*

- | | | |
|-----|--|--|
| (a) | approximately 55% of the Net Proceeds will be used to pursue selective strategic investment and acquisition opportunities and further develop strategic partnerships, among which: | |
| | (1) | approximately 27.5% will be used to acquire other property management companies 314.0 |
| | (2) | approximately 27.5% will be used to acquire property management companies with community products and services that are complementary to those of Zhenro Services 314.0 |

*RMB million
approximately*

(b) approximately 20% will be used to further develop its information management systems	228.3
(c) approximately 15% will be used to further develop its “Rong Wisdom” (榮智慧) service software	171.2
(d) approximately 10% will be used for general business operations and working capital	<u>114.2</u>
Total	<u><u>1,141.7</u></u>

As at the date of this announcement, Zhenro Services has utilised approximately RMB125.1 million of the Net Proceeds with approximately RMB1,016.6 million being unutilised (the “Unutilised Net Proceeds”).

On 18 May 2021, the Zhenro Services Board resolved to change the use of the Unutilised Net Proceeds which was originally allocated for strategic investments and acquisitions under (a) above to finance part of the consideration under the Sale and Purchase Agreement. An analysis of the utilisation of the Net Proceeds up to the date of this announcement and the proposed change of use of Unutilised Net Proceeds are summarised as follows:

Proposed use of Net Proceeds	Original allocation of the Net Proceeds as set out in the Prospectus <i>RMB million approximately</i>	Utilised amount of the Net Proceeds as at the date of this announcement <i>RMB million approximately</i>	Unutilised Net Proceeds as at the date of this announcement <i>RMB million approximately</i>	Proposed application of the Unutilised Net Proceeds <i>RMB million approximately</i>
Acquisition of other property management companies	314.0	–	314.0	–
Acquisition of property companies with community products and services	314.0	–	314.0	–
Acquisition of the Target Company	–	–	–	628.0
Development of the Zhenro Services Group’s information management system	228.3	4.7	223.6	223.6
Further development of the Zhenro services Group’s “Rong Wisdom” (榮智慧) service software	171.2	6.2	165.0	165.0
General business operations and working capital	<u>114.2</u>	<u>114.2</u>	<u>–</u>	<u>–</u>
Total	<u><u>1,141.7</u></u>	<u><u>125.1</u></u>	<u><u>1,016.6</u></u>	<u><u>1,016.6</u></u>

Reasons for the Change in Use of Proceeds

Since Zhenro Services was listed in July 2020, the acquisitions and mergers conditions for the capital market and the overall market have changed. The companies successfully listed on the main board of the Hong Kong Stock Exchange, including Excellence Commercial Property & Facilities Management Group Ltd. (6989.HK) and E-Star Commercial Management Co., Ltd. (6668.HK) together with Financial Street Property Co., Limited (1502.HK) previously listed, regard the commercial operations and property management as one of the core businesses, thus the commercial operational management sector has got more and more attention in the market. Investors also prefer companies with integrated service capabilities for residential and commercial operational management. Zhenro Services has changed from the market acquisition and mergers of property management companies to considering the acquisition of commercial operational management companies.

The development direction and goal of Zhenro Services has been to further improve its market position and comprehensive service capabilities in China's property management industry on the existing basis. The Zhenro Services Board hopes to use the proceeds from the listing for acquisitions in service field that it considers profitable or in line with its business expansion strategy. The target companies include property management companies with professional service experience in certain commercial fields.

Zhenro Services has been all along striving to find suitable property management companies from the market according to the conditions disclosed in the Prospectus. However, noting that the preference of investors in the market for companies with commercial operational management service capabilities and the development policy of Zhenro Services is to enhance the comprehensive service capabilities in the property management industry, the Zhenro Services Board considers the Target Group a suitable commercial operational management target that can achieve the development direction and goal of Zhenro Services to improve its market position in commercial management and operational sectors.

After considering the capital market's attention to commercial operational business recently, the Zhenro Services Board believes that the acquisition of the Target Group can expand its market position in the property management industry in China. Although Zhenro Services has been striving to find a suitable target property management company, it failed to find a target which is commensurate with the Target Group that has a high degree of coordination with Zhenro Services in terms of volume, price, region and other factors. As disclosed in the section "3.2 The Zhenro Services Board's view - 3.2.1 The Sale and Purchase Agreement" in this announcement, the Target Group has the advantages and strengths that distinguish it from other companies after taking into account the resources of the Target Group.

Based on the above reasons, the Zhenro Services Board believes that the acquisition of the Target Group can expand its market position in the property management industry in China.

Having considered the prospects of the Target Group, the benefits which the Transaction may bring to Zhenro Services Group and the reasons for and benefits of the Transaction as set out in the paragraph headed “3. Reasons for and Benefits of the Sale and Purchase Agreement, the Consultancy Services Agreement, the Existing Lease Agreements and the New Lease Agreement” above, and in order to utilise the Unutilised Net Proceeds more efficiently and facilitate the efficient allocation of financial resources of the Company, the Zhenro Services Board has resolved to apply the proceeds which were originally planned for pursuing strategic investment and acquisition opportunities including acquisitions for property management companies which meet certain selection criteria and property management companies with community products and services that are complementary to those of Zhenro Services to finance part of the consideration under the Sale and Purchase Agreement. As a result, approximately RMB628.0 million of the Unutilised Net Proceeds will be re-allocated to finance the Transaction.

The Zhenro Services Board is of the view that the re-allocation of the Net Proceeds as set out above is in line with the business strategy of Zhenro Services Group and is beneficial for the continued and rapid development of Zhenro Services Group, and such re-allocation will allow Zhenro Services to better utilise its financial resources in a more efficient manner, support Zhenro Services Group in further deepening its existing business layout, and strengthen the future development of Zhenro Services Group in the long run. The Zhenro Services Board considers that there is no material change in the business nature of the Zhenro Services Group as set out in the Prospectus, and believes that such change of the use of proceeds from the Global Offering is fair and reasonable and will not have any material adverse effect on the existing business and operation of Zhenro Services Group, and is in the best interests of Zhenro Services and its shareholders as a whole.

Implementation Plan

Based on the aforementioned change in use of Net Proceeds, the Zhenro Services Board intends to utilise the Unutilised Net Proceeds in the following manner:

Proposed use of Net Proceeds	Proposed application of the Unutilised Net Proceeds <i>RMB million approximately</i>	Implementation plan	
		For the year ending 31 December 2021 <i>RMB million approximately</i>	For the year ending 31 December 2022 <i>RMB million approximately</i>
Acquisition of the Target Company	628.0	534.6	93.4
Development of the Zhenro Services Group’s information management system	223.6	100.0	120.0
Further development of the Zhenro services Group’s “Rong Wisdom” (榮智慧) service software	165.0	70.0	90.0
General business operations and working capital	–	–	–
Total	1,016.6	704.6	303.4

10. GENERAL

Zhenro Services will convene and hold the EGM for the Independent Shareholders to consider and, if thought fit, to approve (i) the Sale and Purchase Agreement and (ii) the Consultancy Services Agreement and the respective transactions and the proposed annual caps contemplated thereunder.

To the best of the knowledge, information and belief of the Zhenro Services Board, and having made all reasonable enquiries, associates of Mr. Ou, namely, WeiZheng, WeiYao, and WeiTian, who hold an aggregate of 656,348,500 shares of Zhenro Services as at the date of this announcement, shall abstain from voting on the resolution approving (i) the Sale and Purchase Agreement and (ii) the Consultancy Services Agreement and the respective transactions and the proposed annual caps (as the case may be) contemplated thereunder at the EGM. Save as disclosed above, as at the date of this announcement, none of the other shareholders of Zhenro Services is required to abstain from voting at the EGM.

Zhenro Services has established the Independent Board Committee comprising all three independent non-executive directors of Zhenro Services to advise the Independent Shareholders as to whether the terms of each of (i) the Sale and Purchase Agreement and (ii) the Consultancy Services Agreement and the proposed annual caps 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 Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Giraffe Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

A circular containing, among other things, (i) a letter from the Zhenro Services Board containing further information on the Sale and Purchase Agreement and the Consultancy Services Agreement and the respective transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the 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 30 June 2021 to allow sufficient time for the preparation of the relevant information for inclusion therein.

Completion of the Transaction is subject to the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement, and the transactions contemplated under the Sale and Purchase Agreement and the Consultancy Services Agreement may or may not materialise. Shareholders and potential investors of Zhenro Properties and Zhenro Services are advised to exercise caution when dealing in the securities of Zhenro Properties and Zhenro Services.

DEFINITIONS

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

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Completion”	the First Completion and/or the Second Completion (as the case may be)
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration Adjustment”	the consideration adjustment mechanism under the Sale and Purchase Agreement, details of which are set out in the section headed “1. Sale and Purchase Agreement – Consideration – (iii) Consideration Adjustment”
“Consultancy Services Agreement”	the commercial property management and consultancy services framework agreement dated 19 May 2021 entered into between the Target Company and Zhenro Properties
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“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 the Sale and Purchase Agreement, the Consultancy Services Agreement (including the proposed annual caps contemplated thereunder) and the respective transactions contemplated thereunder
“Existing Lease Agreements”	Existing Lease Agreement (Changsha), Existing Lease Agreement (Putian), Existing Lease Agreement (Fuzhou Mabao) and Existing Lease Agreement (Fuzhou Mawei)
“Existing Lease Agreement (Changsha)”	the lease management agreement dated 1 January 2021 entered into between Zhenro Real Estate (Changsha) and Zhenro Commercial Management (Changsha) in relation to the lease of the property known as “Changsha Zhenro Fortune Centre* (長沙正榮財富中心)”
“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)”
“First Completion”	completion of the First Equity Transfer, details of which are set out in the section headed “1. The Sale and Purchase Agreement – Completion – (i) The First Completion” of this announcement
“First Equity Transfer”	the transfer of 47.52% and 11.88% equity interests in the Target Company by Zhenro Properties Holdings to Purchaser I and Purchaser II, respectively pursuant to the Sale and Purchase Agreement
“Global Offering”	the global offering of the shares of Zhenro Services, details of which are set out in the Prospectus
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive directors of Zhenro Services
“Independent Financial Adviser”	Giraffe Capital Limited, a corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser of Zhenro Services to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement, the Consultancy Services Agreement (including the proposed annual caps contemplated thereunder) and the respective transactions contemplated thereunder
“Independent Shareholders”	the shareholders of Zhenro Services who are not required to abstain from voting at the EGM for the resolution in respect of the Sale and Purchase Agreement, the Consultancy Services Agreement (including the proposed annual caps contemplated thereunder) and the respective transactions contemplated thereunder

“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Ou”	Mr. Ou Zongrong
“Net Proceeds”	the amount of net proceeds raised by Zhenro Services from the Global Offering, details of which are set out in the section headed “9. Change in Use of Proceeds from the Global Offering for Zhenro Services” of this announcement
“New Lease Agreement”	the lease management agreement dated 10 May 2021 entered into between Xi’an Jingheng Real Estate and Zhenro Commercial Management (Xi’an) in relation to the lease of the Xi’an Property
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of Zhenro Services dated 29 June 2020
“Purchaser I”	Fuzhou Huihua Enterprise Management Consultancy Co., Ltd.* (福州匯華企業管理諮詢有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Zhenro Services
“Purchaser II”	Fujian Zhenro Property Service Co., Ltd.* (福建正榮物業服務有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Zhenro Services
“Purchasers”	Purchaser I and Purchaser II
“Remaining Shareholder”	Zero Origin Limited, a company incorporated in Hong Kong with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 19 May 2021 entered into by and among the Purchasers, Zhenro Properties Holdings and the Target Company in relation to the Transaction
“Second Completion”	completion of the Second Equity Transfer, details of which are set out in the section headed “1. The Sale and Purchase Agreement – Completion – (ii) The Second Completion” of this announcement

“Second Equity Transfer”	the transfer of 31.68% and 7.92% equity interests in the Target Company by Zhenro Properties Holdings to Purchaser I and Purchaser II, respectively pursuant to the Sale and Purchase Agreement
“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)
“Target Company”	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 Properties Holdings and as to 1% by the Remaining Shareholder as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Target Interest”	the 99% equity interest in the Target Company held by Zhenro Properties Holdings
“Transaction”	the transactions contemplated under the Sale and Purchase Agreement
“Unutilised Net Proceeds”	the amount of Net Proceeds being unutilised by Zhenro Services, details of which are set out in the section headed “9. Change in Use of Proceeds from the Global Offering for Zhenro Services” of this announcement
“WeiTian”	WeiTian Holdings Limited (偉天控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ou as at the date of this announcement
“WeiYao”	WeiYao Holdings Limited (偉耀控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ou as at the date of this announcement
“WeiZheng”	WeiZheng Holdings Limited (偉正控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Ou as at the date of this announcement
“Xi’an Property”	No. 268 Linshui Road, Qujiang New Town, Xi’an* (西安曲江新城臨水路268號), which is known as “Xi’an Rainbow Valley* (西安彩虹谷)”

“Xi’an Jingheng Real Estate”	Xi’an Jingheng Real Estate Development Co., Ltd* (西安景恒房地產開發有限公司), a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties as at the date of this announcement
“Zhenro Commercial Management (Changsha)”	Changsha Zhenro Commercial Management Co., Ltd* (長沙正榮商業管理有限公司), a company established in the PRC and a wholly-owned subsidiary of the Target Company as at the date of this announcement
“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 a wholly-owned subsidiary of the Target Company as at the date of this announcement
“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 a wholly-owned subsidiary of the Target Company as at the date of this announcement
“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 a wholly-owned subsidiary of the Target Company as at the date of this announcement
“Zhenro Commercial Management (Xi’an)”	Xi’an Zhenro Commercial Management Co., Ltd* (西安正榮商業管理有限公司), a company established in the PRC and a wholly-owned subsidiary of the Target Company as at the date of this announcement
“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 as at the date of this announcement
“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 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 Group”	Zhenro Properties and its subsidiaries

“Zhenro Properties Holdings”	Zhenro Properties Holdings Company Limited* (正榮地產控股股份有限公司), a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties as at the date of this announcement
“Zhenro Real Estate (Changsha)”	Zhenro (Changsha) Real Estate Development Co., Ltd* (正榮(長沙)置業有限公司), a company established in the PRC and a wholly-owned subsidiary of Zhenro Properties as at the date of this announcement
“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 as at the date of this announcement
“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 as at the date of this announcement
“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 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 Group”	Zhenro Services and its subsidiaries
“%”	per cent.

By order of the board of directors of
Zhenro Properties Group Limited
Huang Xianzhi
Chairman

By order of the board of directors of
Zhenro Services Group Limited
Huang Xianzhi
Chairman

Hong Kong, 19 May 2021

As at the date of this announcement, the executive directors of Zhenro Properties are Mr. Huang Xianzhi, Mr. Liu Weiliang, Mr. Li Yang and Mr. Chan Wai Kin, 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. Lin Hua.

As at the date of this announcement, the executive directors of Zhenro Services are Mr. Lin Xiaotong and Mr. Kang Hong; the non-executive directors of Zhenro Services are Mr. Huang Xianzhi and Mr. Chan Wai Kin; 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