zhenro 正荣服务

ZHENRO SERVICES GROUP LIMITED
正榮服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6958)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022 AND PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

ANNUAL RESULTS AND OPERATIONAL HIGHLIGHTS

1. For the year ended 31 December 2022, the revenue of the Group was approximately RMB1,141.3 million, representing a decrease of approximately 14.6% as compared with the revenue of RMB1,335.8 million in the same period of 2021.

2. The revenue of the Group is mainly derived from four major businesses: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) commercial operational management services. For the year ended 31 December 2022: (i) property management services remained the largest source of revenue for the Group, having generated revenue of RMB706.5 million, accounting for 61.9% of the overall revenue, representing a year-on-year increase of approximately 7.3% as compared with RMB658.3 million in the same period of 2021; (ii) revenue from value-added services to non-property owners of RMB186.5 million, representing a year-on-year decrease of approximately 49.8% as compared to RMB371.2 million in the same period of 2021; (iii) revenue from community value-added services of RMB143.5 million, accounting for 12.6% of the overall revenue, representing a year-on-year decrease of approximately 45.8% as compared to RMB264.5 million in the same period of 2021; and (iv) revenue from commercial operational management services reached RMB104.8 million, accounting for 9.2% of the overall revenue, representing a year-on-year increase of approximately 151.0% as compared to RMB41.7 million in the same period of 2021.

3. For the year ended 31 December 2022, the gross profit of the Group was RMB252.9 million, representing a decrease of 40.9% from RMB428.1 million in the same period of 2021.

4. For the year ended 31 December 2022, the loss of the Group was approximately RMB280.7 million as compared with the profit of approximately RMB177.6 million in the same period of 2021. The loss attributable to owners of the parent for the year ended 31 December 2022 was approximately RMB281.3 million as compared with the profit of approximately RMB174.6 million in the same period of 2021.

5. During the year ended 31 December 2022, the contracted GFA of the Group's property management services was approximately 109.1 million sq.m., representing an increase of approximately 4.8% from approximately 104.1 million sq.m. as at 31 December 2021 and the total GFA under management reached approximately 80.1 million sq.m, representing an increase of approximately 12.9% from approximately 71.0 million sq.m. as at 31 December 2021.

6. The Board resolved not to recommend any final dividend for the year ended 31 December 2022 (2021: nil).

The board (the "**Board**") of directors (the "**Directors**") of Zhenro Services Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**" or "**We**") for the year ended 31 December 2022 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	*5*	**1,141,293**	1,335,788
Cost of sales		**(888,437)**	(907,677)
GROSS PROFIT		**252,856**	428,111
Other income and gains	*5*	**33,040**	15,980
Administrative expenses		**(157,732)**	(145,359)
Impairment losses on financial assets, net		**(126,897)**	(27,636)
Impairment of goodwill		**(228,849)**	–
Fair value losses on investment properties		**(63,600)**	(27,700)
Finance costs	*7*	**(11,719)**	(10,109)
(LOSS)/PROFIT BEFORE TAX	*6*	**(302,901)**	233,287
Income tax expense	*7*	**22,152**	(55,646)
(LOSS)/PROFIT FOR THE YEAR		**(280,749)**	177,641
Attributable to:			
Owners of the parent		**(281,326)**	174,578
Non-controlling interests		**577**	3,063
		(280,749)	177,641
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB(0.27)**	RMB0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(280,749)**	177,641
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Translation difference of the financial statements into presentation currency	**8**	(14,379)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**8**	(14,379)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**8**	(14,379)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(280,741)**	163,262
Attributable to:		
Owners of the parent	**(281,318)**	160,199
Non-controlling interests	**577**	3,063
	(280,741)	163,262

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**5,926**	7,570
Right-of-use assets		**4,382**	8,194
Investment properties		**86,190**	166,490
Goodwill	3	**537,777**	766,626
Other intangible assets		**44,697**	52,127
Investment in associates		**1,180**	980
Finance lease receivables		**–**	53,718
Deferred tax assets		**53,383**	20,321
Total non-current assets		**733,535**	1,076,026
CURRENT ASSETS			
Finance lease receivables		**35,880**	58,795
Trade receivables	10	**282,667**	310,832
Due from related companies		**110,004**	275,024
Prepayments, other receivables and other assets	11	**127,836**	56,361
Cash and bank balances		**691,627**	741,530
Total current assets		**1,248,014**	1,442,542
CURRENT LIABILITIES			
Trade payables	12	**149,479**	202,118
Other payables and accruals	13	**417,958**	479,932
Due to related companies		**2,040**	2,594
Interest-bearing bank and other borrowings	14	**85,017**	87,544
Tax payable		**40,566**	37,365
Lease liabilities		**69,412**	70,596
Total current liabilities		**764,472**	880,149
NET CURRENT ASSETS		**483,542**	562,393
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,217,077**	1,638,419

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**15,100**	30,555
Lease liabilities		**2,976**	79,808
Deferred tax liabilities		**18,596**	44,578
Other payables		**11,114**	10,177
Total non-current liabilities		**47,786**	165,118
NET ASSETS		**1,169,291**	1,473,301
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**7,867**	7,867
Reserves		**1,155,776**	1,443,273
		1,163,643	1,451,140
Non-controlling interests		**5,648**	22,161
TOTAL EQUITY		**1,169,291**	1,473,301

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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

- *IFRS 9 Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 3]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[5]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[5]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a SingleTransaction*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[5]

1 No mandatory effective date yet determined but available for adoption
2 Effective for annual periods beginning on or after 1 January 2023
3 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
4 The IASB amends IFRS 17 to permit a classification overlay for financial assets presented in comparative periods on initial application of IFRS 17
5 Effective for annual periods beginning on or after 1 January 2024

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Property lease classification — Group as lessor

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

Principal versus agent consideration for revenue from contracts with customers

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

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

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2022, the carrying amount of goodwill was RMB537,777,000.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. As at 31 December 2022, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

Deferred tax assets

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

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

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

Fair value of investment properties

Investment properties, including car park spaces and the leased commercial properties held as a right-of-use asset, are carried in the consolidated statement of financial position at their fair value, details of which are disclosed in note 15. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent and professionally qualified valuer using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment properties included in the consolidated statement of financial position and the corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss.

Leases — Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

During the year, revenue from Zhenro Properties Group Limited and its subsidiaries ("**Zhenro Properties Group**") contributed 12.3% (2021: 20.8%) to the Group's revenue. Other than the revenue from Zhenro Properties Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,099,036**	1,313,955
Revenue from other sources		
– Sublease services	**42,257**	21,833
	1,141,293	1,335,788

Revenue from contracts with customers

(i) Disaggregated revenue information

	Property management services *RMB'000*	Value-added services to non-property owners *RMB'000*	Community value-added services *RMB'000*	Brand and management output services *RMB'000*	Total *RMB'000*
2022					
Type of goods or services					
Rendering of services	**706,513**	**186,517**	**143,474**	**62,532**	**1,099,036**
Geographical market					
Mainland China	**706,513**	**186,517**	**143,474**	**62,532**	**1,099,036**
Timing of revenue recognition					
Revenue recognised over time	**706,513**	**161,645**	**34,790**	**55,435**	**958,383**
Revenue recognised at a point in time	**–**	**24,872**	**108,684**	**7,097**	**140,653**
Total revenue from contracts with customers	**706,513**	**186,517**	**143,474**	**62,532**	**1,099,036**
2021					
Type of goods or services					
Rendering of services	658,328	371,221	264,494	19,912	1,313,955
Geographical market					
Mainland China	658,328	371,221	264,494	19,912	1,313,955
Timing of revenue recognition					
Revenue recognised over time	658,328	360,881	138,848	10,203	1,168,260
Revenue recognised at a point in time	–	10,340	125,646	9,709	145,695
Total revenue from contracts with customers	658,328	371,221	264,494	19,912	1,313,955

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

	2022 ***RMB'000***	2021 *RMB'000*
Revenue recognised that was included in contract liabilities at beginning of year:		
Property management services, and brand and management output services	**151,277**	136,253

(ii) Performance obligations

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

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

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

Community value-added services

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

Brand and management output services

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

	2022	2021
	RMB'000	*RMB'000*
Other income		
Interest income	**2,264**	1,062
Government grants*	**18,167**	3,866
Rental income	**1,999**	2,966
Value added tax additional deduction	**2,753**	3,048
Finance income from finance leases	**5,969**	3,292
Others	**1,888**	1,746
	33,040	15,980

* During the year ended 31 December 2022, various government grants have been received for operation in Fujian province and Shanghai, Mainland China, to reward business performance and support operational development of enterprises in that area. There are no unfulfilled conditions or contingencies relating to these grants.

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	**2022** **RMB'000**	2021 *RMB'000*
Depreciation of property, plant and equipment		**5,201**	5,861
Depreciation of right-of-use assets		**3,552**	3,352
Amortisation of other intangible assets		**7,157**	6,342
Lease payments not included in the measurement of lease liabilities		**3,007**	5,075
Auditor's remuneration		**3,100**	3,463
Impairment of financial assets, net			
Impairment of finance lease receivales, net		**(766)**	2,932
Impairment of trade receivables, net	*10*	**16,850**	11,100
Impairment of due from related parites, net		**108,836**	12,707
Impairment of other receivables, net	*11*	**1,977**	897
Impairment of goodwill		**228,849**	–
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other allowances		**382,475**	431,137
Pension scheme contributions and social welfare		**63,820**	68,279
		446,295	499,416

7. INCOME TAX

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

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

	2022	2021
	RMB'000	*RMB'000*
Current – Mainland China:		
Charge for the year	**32,510**	58,916
Deferred tax	**(54,662)**	(3,270)
Total tax charge for the year	**(22,152)**	55,646

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

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(302,901)**	233,287
At the statutory tax rate	**(75,725)**	58,322
Lower tax rate for specific provinces or enacted by local authority	**(7,158)**	(7,502)
Expenses not deductible for tax	**57,831**	842
Tax losses utilised from previous years	**(660)**	(558)
Tax losses not recognised	**3,560**	4,542
Tax charge at the Group's effective rate	**(22,152)**	55,646

8. DIVIDENDS

The directors do not recommend any interim or final dividend in the respective of the period/year.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,037,500,000 (2021: 1,037,500,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the year ended 31 December 2022 and 2021.

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

	2022	2021
	RMB'000	*RMB'000*
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(281,326)**	174,578

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**1,037,500,000**	1,037,500,000

10. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**325,293**	340,602
Impairment	**(42,626)**	(29,770)
	282,667	310,832

Trade receivables mainly arise from property management services, value-added services to non-property owners, community value-added services and brand and management output services, and are due for payment upon the issuance of the demand notes in accordance with the terms of the relevant agreements.

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**245,165**	275,919
1 to 2 years	**36,709**	33,210
2 to 3 years	**793**	1,703
	282,667	310,832

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**29,770**	21,090
Impairment losses, net	**16,850**	11,100
Amount written off as uncollectible	**(3,994)**	(2,420)
At end of year	**42,626**	29,770

The increase in the loss allowance during the year ended 31 December 2022 was due to a special provision and the significant changes in the gross carrying amount of the trade receivables which were past due.

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

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

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

31 December 2022

	Less than one year	**Past due 1 to 2 year**	**2 to 3 years**	**Total**
Expected credit loss rate	**7.2%**	**28.5%**	**92.0%**	**13.1%**
Gross carrying amount (RMB'000)	**264,120**	**51,318**	**9,855**	**325,293**
Expected credit losses (RMB'000)	**18,955**	**14,609**	**9,062**	**42,626**

31 December 2021

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

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 ***RMB'000***	2021 *RMB'000*
Payments on behalf of customers to utility suppliers	**33,194**	30,254
Deposits	**29,473**	15,415
Prepaid rental	**27,291**	–
Other prepayment	**6,174**	5,044
Advances to staff	**3,948**	4,212
Other receivables	**31,648**	3,351
	131,728	58,276
Impairment	**(3,892)**	(1,915)
	127,836	56,361

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**1,915**	1,018
Impairment losses, net	**1,977**	897
At end of year	**3,892**	1,915

Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2022 was 4.0% (2021: 3.6%).

12. TRADE PAYABLES

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**144,674**	197,760
Over 1 year	**4,805**	4,358
	149,479	202,118

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

13. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Current portion			
Contract liabilities	*(a)*	**154,974**	151,277
Deposits received	*(b)*	**26,837**	29,749
Receipts on behalf of community residents		**81,033**	88,787
Payroll and welfare payable		**79,509**	103,887
Other tax payables		**14,169**	32,234
Rental advances		**44,326**	56,327
Others		**17,110**	17,671
		417,958	479,932
Non-current portion			
Deposits received	*(b)*	**11,114**	10,177
		429,072	490,109

Notes:

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

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 31 December 2022		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***
Current			
Bank loans – unsecured	**4.2-4.4**	**2023**	**68,772**
Current portion of long term			
Bank loans – secured	**5.0**	**2023**	**6,040**
Bank loans – unsecured	**4.6-5.1**	**2023**	**10,205**
			85,017
Non-current			
Bank loans – secured	**5.0**	**2026**	**15,100**
			100,117

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

	2022	2021
	RMB'000	*RMB'000*
Analysed into:		
Repayable within one year	**85,017**	87,544
Repayable within two to five years	**15,100**	30,555
	100,117	118,099

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

As at 31 December 2022, the Group's bank borrowings of RMB21,140,000 (2021: RMB27,180,000) were pledged by 70% equity interests of Jiangsu Sutie Property Management Co., Ltd. ("**Jiangsu Sutie**"), a subsidiary the Group.

15. SHARE CAPITAL

	2022	2021
Number of ordinary shares:		
Authorised:		
Ordinary shares of US$0.002 each (2021: US$0.002)	**20,000,000,000**	20,000,000,000
Issued:		
Ordinary shares of US$0.002 each (2021: US$0.002)	**1,037,500,000**	1,037,500,000

	2022	2021
	RMB'000	*RMB'000*
Amounts:		
Issued and fully paid:		
Ordinary shares of US$0.002 each (2021: US$0.002)	**7,867**	7,867

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present to you the annual results of the Group for the year ended 31 December 2022.

RESULTS REVIEW

During the Reporting Period, the revenue of the Group decreased by approximately 14.6% to RMB1,141.3 million as compared with RMB1,335.8 million for the corresponding period last year; the loss for the period was approximately RMB280.7 million as compared with the profit of approximately RMB177.6 million for the corresponding period last year; the loss attributable to owners of the parent for the period was approximately RMB281.3 million, as compared with the profit of approximately RMB174.6 million for the corresponding period last year.

BUSINESS REVIEW

In 2022, under the influence of the overall macroeconomic climate and real estate market regulatory policies, the development of the property industry experienced temporary setbacks. However, there were opportunities in the midst of crises. The fluctuations in macro policies and within the property industry promoted the consolidation of the property industry and the concentration of market shares, and the property service industry gradually became the backbone of urban governance and life services which has been developing more independently, bringing the property industry from behind the scenes to the front of the stage, and showing the society the broad applicability and irreplaceability for the property industry to provide services to citizens.

In 2022, the Group actively responded to market changes and strived to improve its market-oriented expansion capabilities. With its abundant resources integration advantages in deep engagement areas, the Group promoted multi-format development layout and diversified business innovation, strengthened urban service operation capabilities, and achieved steady growth in business scale and performance. At the same time, with its profound brand accumulation, the Group continued to improve its service quality, optimized its management and control standards, and utilized the strength of digital technology to strengthen organizational efficiency and promote the improvement of its operations, thus laying a solid foundation for sustainable development.

Focusing on advantageous regions and tracks, and expanding the service offerings

In 2022, the Group continued to deepen and broaden its advantageous regions, expanded its business scale, and entered into 5 new cities in addition to various advantageous regions such as Shanghai, Nanjing, Suzhou and Fuzhou. In terms of business sector selection, the Group focused on the types of projects with more room for growth and value, such as commercial offices, public construction and industrial parks. Meanwhile, the Group promoted the transformation of high-quality strategic resources through innovative and optimized cooperation models and continuously improved expansion channels, and continued to achieve breakthroughs in the fields of urban services, space management and business management. During the year, the Group acquired 7 high-quality commercial offices, urban services and commercial operational management projects.

During the Reporting Period, the number of property service projects under management of the Group increased to 372. The contracted gross floor area ("**GFA**") reached approximately 109.1 million sq.m., representing a net increase of approximately 5.0 million sq.m. as compared to 31 December 2021, and the total GFA under management reached approximately 80.1 million sq.m., representing a net increase of approximately 9.1 million sq.m. as compared to 31 December 2021.

Promoting the improvement of service quality, and stabilizing the lifeline of the enterprises

We are well aware that service quality is the lifeline for the long-term development of property enterprises, and Zhenro Services has always adhered to the brand philosophy of "providing heartfelt and personalized services for your well-being" ("服務由心，幸福為你"), and insisted on quality improvement by providing products and services in a high-quality, caring and intelligent manner. We maintained the pursuit of high standards in terms of product and service quality, further upgraded its five major service brands in 2022, and proposed a "Happiness Spectrum" product system to lay out diversified tracks. We made efforts to build a beautiful life in every scenario and at every moment, through creating Rongju (榮居) "residential property services", Rongqi (榮企) "business enterprise property services", Rongcheng (榮城) "urban services", Rongshang (榮商) "business management" and Rong+ (榮+) "innovative business". Meanwhile, through the creation of benchmarked projects, we further expanded our service touchpoints, refined our management, promoted the improvement of our services and brands, and achieved service quality upgrade.

Zhenro Services cares for its customers. In 2022, we launched programs such as "Happiness, Prosperity and Pleasure – Community Cultural Activity System", "Health Ambassador", "Healthy Dining Table", which presented care services to customers from all walks of life and from needs in the cultural, social, emotional to other aspects, which strengthened community operation, and enabled customers to experience the humanistic care of Zhenro Services while enjoying the high-quality services it provided.

Expanding the community value-added business and creating digital intelligent services

With the continuous improvement of project density in deep engagement areas, the Group fully utilized the resource advantages of projects under management and deeply integrated the needs of property owners, actively expanded high-quality business resources, promoted the innovation of community value-added business, and improved the ecological chain of community services.

In 2022, we focused on customers' daily needs such as food, accommodation and travel needs, and relied on the Group's online platform "Rong Xiang Life" ("榮享生活") to promote the linkage of online and offline resources and capture business opportunities from multiple aspects. While creating growth points of community retail and life service businesses, we also promoted the improvement of the ecological chain of community services. Meanwhile, through the effective coordination of high-quality commercial project resources and community value-added service business, the Group launched "Rong Xiang Market" ("榮享集市") to realize resources sharing and deep mining of community resources, and to promote the improvement of community and value of commercial space.

In terms of intelligent operation, the Group unswervingly implemented the technology strategy and promoted the development of intelligent properties. During the year, through the gradual integration of the panorama plan management platform "Rongzhantu" ("榮戰圖") with the Group's business, the operation efficiency, management standards and service quality were effectively improved, and the digital transformation of the information coverage and management of the Group's business operations was gradually realized. At the same time, through the optimization and upgrade of multiple online service scenarios of the online service platform "Rongzhihui" ("榮智慧"), the digitization and intelligent management of the community was effectively promoted, and the management and control efficiency and quality experience were improved, which further optimized the Group's operation costs and improved the operating efficiency while providing a more convenient and comfortable living environment for property owners.

OUTLOOK

In 2023, with the adjustment of domestic policies and the introduction of multiple economic recovery policies, the property management industry will start a new development cycle in 2023. The positioning of the property industry will become clearer, and the development logic will shift from extensive development to refined development. The property enterprises will continuously strengthen their independent expansion capacities, and will continue to explore the track and business space in line with their development segments. The service offerings of the property industry are expected to continue to expand.

In the face of new market opportunities and challenges, the Group will continue to take a more active strategic attitude, continue to adhere to the provision of quality services, and consolidate the fundamentals of basic business; strengthen coordination with the government in deep engagement areas, actively explore innovative cooperation models, improve the business coordination of business management and property management so as to strengthen its own market-oriented expansion capability and independent development capacity, actively explore and expand business categories, and stabilize the foundation of independent and sustainable development; meanwhile, in order to unswervingly promote the development of intelligent properties and steadily improve its operational efficiency, the Group will implement the technology strategy, set up a digital platform, and build core competitiveness.

APPRECIATION

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

Zhenro Services Group Limited
Liu Weiliang
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business model of the Group

The Group has four business lines, namely, (i) property management services, (ii) value-added services to non-property owners, (iii) community value-added services, and (iv) commercial operational management services, forming an offering of integrated services to its customers that cover the entire value chain of property management.

- Property management services. The Group provides a wide range of property management services to property developers, property owners, residents and commercial property tenants. The Group's property management services primarily include (i) cleaning services, (ii) security services, (iii) landscaping services, and (iv) repair and maintenance services for both residential and non-residential properties and commercial properties.

- Value-added services to non-property owners. The Group offers a comprehensive range of property-related business solutions to non-property owners, which primarily include property developers. The Group's value-added services to non-property owners primarily consist of (i) sales assistance services (involving assistance to property developers in showcasing and marketing their properties, cleaning and maintenance, security and visitor management), (ii) additional tailored services customised to meet specific needs of customers on an as-needed basis and sales of goods, (iii) housing repair services, (iv) preliminary planning and design consultancy services, and (v) pre-delivery inspection services.

- Community value-added services. The Group provides community value-added services to property owners and residents. The community value-added services primarily include (i) home-living services, (ii) car park management, leasing assistance and other services and (iii) common area value-added services to improve the living experience of customers and to maintain and enhance the value of their properties.

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

The Group believes that its property management service business line serves as the basis for the Group to generate revenue, expand its business scale, and increase its customer base for its community value-added services to property owners and residents. The Group's provision of value-added services to non-property owners enables it to gain early access to property development projects and establish and cultivate business relationships with the property developers, giving the Group a competitive advantage in securing engagements for property management services. The comprehensive range of the Group's community value-added services business line helps to enhance its relationship with customers and improve their satisfaction and loyalty. The Group believes that its four business lines will continue to enable it to gain greater market shares and expand its business presence in China.

PROPERTY MANAGEMENT SERVICES

Continuous quality growth in both area and scale

The Group adhered to the strategic target of rapid and quality expansion on management coverage area, and has achieved speedy growth in contracted GFA and GFA under management through its diversified business development. As of 31 December 2022, the Group's contracted GFA amounted to approximately 109.1 million sq.m., and the number of contracted projects totalled 462, representing an increase of 4.8% and 4.1%, respectively as compared with those as at 31 December 2021. For the year ended 31 December 2022, GFA under management reached approximately 80.1 million sq.m., and the number of projects under management totalled 372, representing an increase of approximately 12.9% and 3.9%, respectively as compared with those as at 31 December 2021.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	Contracted GFA ***('000 sq.m.)***	**GFA under management** ***('000 sq.m.)***	Contracted GFA *('000 sq.m.)*	GFA under management *('000 sq.m.)*
As of the beginning of the period	**104,055**	**70,982**	87,397	41,277
New engagements[(1)]	**5,475**	**9,481**	15,631	28,678
Acquisitions[(2)]	**–**	**–**	1,490	1,490
Terminations[(3)]	**(437)**	**(335)**	(463)	(463)
As of the end of the period	**109,093**	**80,128**	104,055	70,982

Notes:

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

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

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

Geographic presence of the Group

As at 31 December 2022, the Group has expanded its geographic presence to 55 cities in China.

The table below sets forth a breakdown of the Group's total GFA under management as of the dates indicated and total revenue generated from property management services by geographic location for the year ended 31 December 2022 and 2021 respectively:

	As at 31 December or for the year ended 31 December					
	2022			2021		
	GFA under management *('000 sq.m.)*	**Revenue** *RMB'000*	*%*	GFA under management *('000 sq.m.)*	Revenue *RMB'000*	*%*
Yangtze River Delta Region[(1)]	**26,403**	**326,023**	**46.1**	22,754	336,610	51.1
Bohai Rim Region[(2)]	**2,755**	**44,617**	**6.3**	4,575	38,819	5.9
Midwest Region[(3)]	**25,403**	**154,690**	**21.9**	21,310	124,841	19.0
Western Straits Region[(4)]	**25,567**	**181,183**	**25.7**	22,343	158,058	24.0
Total	**80,128**	**706,513**	**100.0**	70,982	658,328	100.0

Notes:

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

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

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

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

Value-added services to non-property owners

The Group provides value-added services to non-property owners, which mainly comprise (i) sales assistance services (involving assistance to property developers in showcasing and marketing their properties, cleaning and maintenance, security and visitor management), (ii) additional tailored services customised to meet specific needs of its customers on an as-needed basis, and sales of goods, (iii) housing repair services, (iv) preliminary planning and design consultancy services, and (v) pre-delivery inspection services. Most of these non-property owners are property developers.

In 2022, revenue from value-added services to non-property owners decreased by 49.8% to approximately RMB186.5 million as compared to approximately RMB371.2 million in the same period of 2021, mainly due to the decreased demand for services such as sales assistance services and additional tailored services in the projects developed by the Group and the partner property developers. The revenue from value-added services to non-property owners accounted for 16.3% of the Group's total revenue.

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

	For the year ended 31 December			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Sales assistance services	**95,011**	**50.8**	217,679	58.6
Additional tailored services and sale of goods	**62,081**	**33.3**	102,791	27.7
Housing repair services	**19,714**	**10.6**	32,671	8.8
Preliminary planning and design consultancy services	**5,694**	**3.1**	10,340	2.8
Pre-delivery inspection services	**4,017**	**2.2**	7,740	2.1
Total	**186,517**	**100.0**	371,221	100.0

COMMUNITY VALUE-ADDED SERVICES

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

In 2022, the revenue from community value-added services decreased by 45.8% to approximately RMB143.5 million compared to approximately RMB264.5 million in the same period of 2021, mainly due to the decrease in demand for real estate brokerage services related to parking spaces in the projects under management due to the impact of the economic environment. In 2022, revenue from community value-added services accounted for 12.6% of total revenue.

The following table sets forth the revenue breakdown of community value-added services for the year ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Home-living services[(1)]	**108,684**	**75.7**	125,646	47.5
Car park management, leasing assistance and other services[(2)]	**21,324**	**14.9**	119,946	45.4
Common area value-added services[(3)]	**13,466**	**9.4**	18,902	7.1
Total	**143,474**	**100.0**	264,494	100.0

Notes:

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

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

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

COMMERCIAL OPERATIONAL MANAGEMENT SERVICES

Since the acquisition of Zhenro Commercial Management by the Group in 2021, the Group provides commercial operational management services to the tenants and the customers, which primarily include (i) brand and management output services; and (ii) sublease services.

As at 31 December 2022, the number of commercial operation projects under management of the Group reached 28, and the total GFA under management of the Group was approximately 1.7 million sq.m. The commercial operation projects under management are located in Fuzhou, Changsha, Putian, Changzhou and Taixing. During the Reporting Period, the revenue from commercial operational management services was approximately RMB104.8 million.

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly derived from four major businesses: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) commercial operational management business. During the Reporting Period, the Group's revenue amounted to approximately RMB1,141.3 million, representing a decrease of approximately 14.6% compared with RMB1,335.8 million in the same period of 2021.

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

	For the year ended 31 December				
	2022	**Percentage of revenue**	2021	Percentage of revenue	**Growth rate**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Property management services	**706,513**	**61.9**	658,328	49.3	7.3
Value-added services to non-property owners	**186,517**	**16.3**	371,221	27.8	-49.8
Community value-added services	**143,474**	**12.6**	264,494	19.8	-45.8
Commercial operational management services	**104,789**	**9.2**	41,745	3.1	151.0
Total	**1,141,293**	**100.0**	1,335,788	100.0	-14.6

Property management services are still the largest source of income for the Group. For the year ended 31 December 2022, revenue from property management services reached approximately RMB706.5 million, accounting for 61.9% of the total revenue of the Group. Such revenue growth was attributable to the rapid growth of GFA under management, which was due to the Group's continuous cooperation with Zhenro Properties Group and its commitment to expanding the third-party customers base. The decrease in value-added services to non-property owners was mainly due to the substantial decrease in the demand for services such as sales assistance services and additional tailored services. The decrease in revenue from community value-added services was mainly due to the decrease in demand for real estate brokerage services related to parking spaces in the projects under management due to the impact of the economic environment.

Cost of sales

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

During the Reporting Period, the cost of sales of the Group was approximately RMB888.4 million, representing a decrease of approximately 2.1% as compared with approximately RMB907.7 million in the same period of 2021.

Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit decreased by approximately 40.9% from approximately RMB428.1 million for the same period in 2021 to approximately RMB252.9 million.

During the Reporting Period, the gross profit margin of the Group decreased by 9.8 percentage points to 22.2% from 32.0% for the same period in 2021.

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

	For the year ended 31 December		
	2022	2021	Changes in gross profit margin
	Gross profit margin	*Gross profit margin*	*Percentage points*
	%	*%*	
Property management services	**22.9**	24.3	-1.4
Value-added services to non-property owners	**3.6**	18.5	-14.9
Community value-added services	**28.4**	67.0	-38.6
Commercial operational management services	**41.6**	52.9	-11.3
Total	**22.2**	32.0	-9.8

Administrative expenses

During the Reporting Period, the administrative expenses of the Group increased by approximately 8.5% from approximately RMB145.4 million for the same period in 2021 to approximately RMB157.7 million, mainly due to the increase in marketing personnel costs and related expenses arising from the Group's efforts in expanding third-party customers.

Impairment losses on financial assets, net

During the Reporting Period, the impairment losses on financial assets, net of the Group was approximately RMB126.9 million, representing an increase of approximately 359.2% as compared with approximately RMB27.6 million for the same period in 2021. The increase was primarily due to the increase in impairment provision made by the Group for receivables arising from related parties, based on the principle of prudence, taking into consideration the change in the credit risk resulting from the continuous downturn of the real estate industry.

Impairment of goodwill

During the Reporting Period, the goodwill impairment of the Group was approximately RMB228.8 million (2021: RMB nil). Due to the fierce market competition and the cyclical fluctuations of the real estate market, the future revenue growth rate and gross profit margin of Zhenro Commercial Management decreased compared with the forecast, resulting in the corresponding goodwill impairment of the Group.

Income tax credit/expenses

During the Reporting Period, the Group recorded income tax credit of approximately RMB22.2 million as compared to income tax expenses of approximately RMB55.6 million for the same period in 2021, primarily due to the reversal of deferred income tax of approximately RMB54.7 million in 2022.

Loss attributable to owners of the parent company

During the Reporting Period, the loss attributable to owners of the parent company for the year was approximately RMB281.3 million as compared with the profit of approximately RMB174.6 million for the same period in 2021.

Property and equipment

The property and equipment of the Group mainly included machinery, electronic equipment, motor vehicles, leasehold improvements and other equipment. As of 31 December 2022, the property and equipment of the Group was approximately RMB5.9 million, representing a decrease of approximately 21.7% as compared with approximately RMB7.6 million as at 31 December 2021.

Trade receivables

The Group's trade receivables mainly derive from revenue from property management services, value-added services to non-property owners and brand and management output services. As of 31 December 2022, the Group's trade receivables amounted to approximately RMB282.7 million, representing a decrease of approximately 9.1% compared with approximately RMB310.8 million as of 31 December 2021. The increase was due to the Company's active collection of receivables.

Prepayments, other receivables and other assets

The Group's prepayments, other receivables and other assets primarily consist of payments made on behalf of the property owners such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities and deposits in relation to the public biddings. As of 31 December 2022, the Group's prepayments, other receivables and other assets amounted to approximately RMB127.8 million, representing an increase of approximately 126.8% as compared with approximately RMB56.4 million as of 31 December 2021. The increase was due to the growth of the Group's business scale, which has led to the increase in deposits, security deposits and reserve funds required in the daily operations and transactions payments with business units.

Trade payables

As of 31 December 2022, the Group's trade payables amounted to approximately RMB149.5 million, representing a decrease of approximately 26.0% from approximately RMB202.1 million as of 31 December 2021. The decrease was mainly due to the decrease in the business size of the Group's value-added services to non-property owners and the decrease in the purchase of goods from independent third-party providers.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

The Group's interest-bearing and other borrowings are all denominated in RMB and bore interests at fixed rates. As at 31 December 2022, the borrowings of the Group amounted to RMB100.1 million, as compared to RMB118.1 million as at 31 December 2021. From the respective drawdown dates, the Group's interest-bearing and other borrowings repayable within one year were RMB85.0 million and those repayable over one year were RMB15.1 million as at 31 December 2022, while those repayable within one year were RMB87.5 million and those repayable over one year were RMB30.6 million as at 31 December 2021. Except as disclosed herein and apart from intra-group liabilities, the Group did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans as at 31 December 2022.

PLEDGE OF ASSETS

As of 31 December 2022, the Group's bank borrowings in the amount of RMB21,140,000 were secured by the pledge of 70% equity interest in a subsidiary, Jiangsu Sutie Property Management Co., Ltd. (31 December 2021: RMB27,180,000).

FINANCIAL RISKS

INTEREST RATE RISK

The Group's exposure to risk for changes in interest rates relates primarily to the Group's interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge interest rate risk. All of the Group's bank borrowings are obtained with fixed interest rates.

FOREIGN EXCHANGE RISK

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

DEBT TO ASSET RATIO

The Group's debt to asset ratio calculated as total interest-bearing bank borrowings divided by total equity at the end of the respective period was approximately 0.09 times as of 31 December 2022 (as of 31 December 2021: approximately 0.08 times). Debt to asset ratio equals interest-bearing bank borrowings divided by total equity.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2022, save as disclosed in this announcement, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2022, save as disclosed under "USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING" below, the Group had no plan for any material investments or capital assets.

EMPLOYEES

As of 31 December 2022, the Group had approximately 4,197 employees (as of 31 December 2021: approximately 5,034 employees). During the Reporting Period, the total staff costs were approximately RMB446.3 million (31 December 2021: approximately RMB499.4 million).

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

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

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

The proposed use of the Net Proceeds (as reallocated and announced on 19 May 2021) and the actual usage of the Net Proceeds up to 31 December 2022 are set out below:

Proposed use of Net Proceeds	**Net Proceeds after Reallocation** *RMB million*	**Utilised Net Proceeds during the year** *RMB million*	**Total Utilised Net Proceeds** *RMB million*	**Unutilised Net Proceeds as of 31 December 2022** *RMB million*	**Expected time of full utilisation**
Development of the Group's information management system	228.3	32.0	87.2	141.1	Before 31 December 2023(Note)
Further development of the Group's "Rong Wisdom" (榮智慧) service software	171.2	27.0	71.4	99.8	Before 31 December 2023(Note)
General business operations and working capital	114.2	–	114.2	–	Not applicable
Acquisition of Zhenro Commercial Management	628.0	–	628.0	–	Not applicable
Total	**1,141.7**	**59.0**	**900.8**	**240.9**	

Note: As a result of the impact of the COVID-19 pandemic, there had been a decrease in marketing activities such as industry exhibitions and forums and delay in undertaking large-scale contracts in 2022, and it is currently expected that the remaining Net Proceeds will be fully utilised before 31 December 2023.

OTHER INFORMATION

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

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

FINAL DIVIDEND

The Board resolved not to recommend any final dividend for the year ended 31 December 2022 (2021: nil).

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, no significant event has taken place subsequent to 31 December 2022.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 16 June 2023. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the shareholders of the Company in accordance with the requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") in due course. For the purpose of determination of eligibility to attend, speak and vote at the AGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to attend, speak and vote at the AGM to be held on Friday, 16 June 2023, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Monday, 12 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining and strengthening high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness, in order to safeguard and protect the interests of its shareholders and to enhance corporate value and accountability system. The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as contained in Part 2 of the Appendix 14 to the Listing Rules as in force from time to time as the basis of the Company's corporate governance practices. The information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2022.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLIC FLOAT

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

AUDIT COMMITTEE

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

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

The annual results of the Company for the year ended 31 December 2022 had been reviewed by the Audit Committee before being recommended to the Board for approval.

The Audit Committee has reviewed and discussed the annual results of the Company for the year ended 31 December 2022 with the management and the external auditor of the Company. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor to the amounts set out in the Group's consolidated financial statements for the year.

SCOPE OF WORK OF THE AUDITOR

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

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

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

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

The Board proposes to amend the existing amended and restated memorandum of association and articles of association of the Company (the "**Existing Memorandum and Articles**") to, among other things, (i) bring the Existing Memorandum and Articles in line with the latest requirements under the Listing Rules, including the amendments to Appendix 3 to the Listing Rules which took effect on 1 January 2022; (ii) reflect the prevailing requirements under applicable laws of the Cayman Islands; and (iii) incorporate certain corresponding and housekeeping amendments (the "**Proposed Amendments**").

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

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

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

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

Hong Kong, 31 March 2023

As at the date of this announcement, Mr. Lin Xiaotong and Mr. Kang Hong are the executive directors of the Company; Mr. Liu Weiliang is the non-executive director of the Company; and Mr. Ma Haiyue, Mr. Au Yeung Po Fung and Mr. Zhang Wei are the independent non-executive directors of the Company.