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

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

INTERIM RESULTS AND OPERATIONAL HIGHLIGHTS

1. During the Reporting Period, the revenue of the Group was approximately RMB548.1 million, representing a decrease of approximately 9.6% as compared with the revenue of approximately RMB606.5 million in the same period of 2023.
2. The revenue of the Group is mainly derived from four major businesses: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) commercial operational management services. During the Reporting Period, (i) property management services remained the largest source of revenue for the Group, with revenue reaching approximately RMB411.8 million, accounting for approximately 75.1% of the overall revenue, representing a year-on-year increase of approximately 2.1% as compared with approximately RMB403.4 million in the same period of 2023; (ii) revenue from value-added services to non-property owners was approximately RMB32.3 million, accounting for approximately 5.9% of the overall revenue, representing a year-on-year decrease of approximately 22.6% compared to approximately RMB41.7 million in the same period of 2023; (iii) revenue from community value-added services was approximately RMB62.2 million, accounting for approximately 11.3% of the overall revenue, representing a year-on-year decrease of approximately 35.7% compared to approximately RMB96.7 million in the same period of 2023; and (iv) revenue from commercial operational management services was approximately RMB42.0 million, accounting for 7.7% of the overall revenue, representing a year-on-year decrease of approximately 35.1% compared to approximately RMB64.7 million in the same period of 2023.
3. The gross profit of the Group was approximately RMB111.2 million for the six months ended 30 June 2024, representing a decrease of approximately 29.0% from approximately RMB156.5 million in the same period of 2023.

4. The loss for the Reporting Period was approximately RMB14.9 million, compared with the profit of approximately RMB15.4 million in the same period of 2023. The loss attributable to owners of the parent for the Reporting Period was approximately RMB15.1 million, compared with the profit attributable to owners of the parent of approximately RMB15.4 million in the same period of 2023.
5. As at 30 June 2024, the gross floor area (“**GFA**”) under management of the Group’s property management services was approximately 80.8 million square meters (“**sq.m.**”), which was stable as compared with approximately 80.7 million sq.m. as at 31 December 2023.
6. The Board resolved not to declare any interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Zhenro Services Group Limited (the “**Company**” or “**Zhenro Services**”) is pleased to announce the unaudited interim condensed consolidated results (the “**Interim Results**”) of the Company and its subsidiaries (together, the “**Group**”, “**Zhenro Services Group**” or “**We**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		For the six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE			
Cost of sales	5	548,136 (436,984)	606,469 (449,925)
GROSS PROFIT		111,152	156,544
Other income and gains	5	27,382	7,762
Administrative expenses		(81,162)	(82,680)
Impairment losses on financial assets, net		(17,103)	(13,658)
Fair value losses on investment properties		(33,780)	(31,920)
Share of profits and losses of joint ventures		(265)	(66)
Finance costs		(7,339)	(3,529)
(LOSS)/PROFIT BEFORE TAX	6	(1,115)	32,453
Income tax expenses	7	(13,761)	(17,040)
(LOSS)/PROFIT FOR THE PERIOD		(14,876)	15,413
Attributable to:			
Owners of the parent		(15,133)	15,447
Non-controlling interests		257	(34)
		(14,876)	15,413
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	9	RMB(0.01)	RMB0.01

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	<u>(14,876)</u>	<u>15,413</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(10)</u>	<u>(36)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(10)</u>	<u>(36)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(10)</u>	<u>(36)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u><u>(14,886)</u></u>	<u><u>15,377</u></u>
Attributable to:		
Owners of the parent	<u>(15,143)</u>	15,411
Non-controlling interests	<u>257</u>	<u>(34)</u>
	<u><u>(14,886)</u></u>	<u><u>15,377</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property and equipment		7,075	5,716
Right-of-use assets		1,271	1,761
Investment properties		283,150	164,600
Goodwill		537,777	537,777
Other intangible assets		34,122	37,446
Investment in associates		806	1,071
Finance lease receivables		27,665	–
Deferred tax assets		54,094	55,953
		<hr/>	<hr/>
Total non-current assets		945,960	804,324
		<hr/>	<hr/>
CURRENT ASSETS			
Finance lease receivables		39,504	–
Trade receivables	10	272,343	309,747
Due from related companies		29,117	45,441
Prepayments, other receivables and other assets		105,516	108,060
Cash and bank balances		550,451	579,146
		<hr/>	<hr/>
Total current assets		996,931	1,042,394
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	11	129,540	165,434
Other payables and accruals		377,016	427,701
Due to related companies		1,196	2,439
Interest-bearing bank and other borrowings		63,040	64,040
Tax payable		71,839	65,839
Lease liabilities		51,836	3,121
		<hr/>	<hr/>
Total current liabilities		694,467	728,574
		<hr/>	<hr/>
NET CURRENT ASSETS		302,464	313,820
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,248,424	1,118,144
		<hr/> <hr/>	<hr/> <hr/>

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	6,040	9,060
Lease liabilities	151,673	899
Deferred tax liabilities	11,516	12,279
Other payables	7,646	7,364
	<u>176,875</u>	<u>29,602</u>
Total non-current liabilities	<u>176,875</u>	<u>29,602</u>
NET ASSETS	<u>1,071,549</u>	<u>1,088,542</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	7,867	7,867
Reserves	1,059,421	1,074,564
	<u>1,067,288</u>	<u>1,082,431</u>
Non-controlling interests	4,261	6,111
TOTAL EQUITY	<u>1,071,549</u>	<u>1,088,542</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2024

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard ("IAS") Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

For the six months ended 30 June 2024 and 30 June 2023, no revenue from the provision of services to a single customer amounted to 10% or more of the total revenue of the Group.

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	528,116	583,467
Revenue from other sources		
– Sublease services	20,020	23,002
Total	548,136	606,469

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2024

Segments	Property Management services RMB'000	Value-added services to non-property owners RMB'000	Community value-added services RMB'000	Brand and management output services RMB'000	Total RMB'000
Type of goods or services					
Rendering of services	411,758	30,993	54,983	21,930	519,664
Sales of goods	–	1,259	7,193	–	8,452
Total	411,758	32,252	62,176	21,930	528,116
Geographical markets					
Mainland China	411,758	32,252	62,176	21,930	528,116
Timing of revenue recognition					
Revenue recognised over time	411,758	30,993	16,657	19,684	479,092
Revenue recognised at a point in time	–	1,259	45,519	2,246	49,024
Total	411,758	32,252	62,176	21,930	528,116

For the six months ended 30 June 2023

Segments	Property Management services RMB'000	Value-added services to non-property owners RMB'000	Community value-added services RMB'000	Brand and management output services RMB'000	Total RMB'000
Type of goods or services					
Rendering of services	403,432	37,485	82,771	41,712	565,400
Sales of goods	–	4,172	13,895	–	18,067
Total	403,432	41,657	96,666	41,712	583,467
Geographical markets					
Mainland China	403,432	41,657	96,666	41,712	583,467
Timing of revenue recognition					
Revenue recognised over time	403,432	36,754	24,903	38,718	503,807
Revenue recognised at a point in time	–	4,903	71,763	2,994	79,660
Total	403,432	41,657	96,666	41,712	583,467

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Depreciation of property and equipment	1,272	1,533
Depreciation of right-of-use assets	490	1,942
Amortisation of other intangible assets	3,934	3,614
Lease payments not included in the measurement of lease liabilities	2,752	1,976
Auditor's remuneration	1,000	1,300
Impairment of financial assets, net		
Impairment of trade receivables, net	8,235	12,970
Impairment of due from related parties, net	7,721	1,160
Impairment of other receivables, net	(15)	862
Impairment of financial lease receivables, net	1,162	(1,334)
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other allowances	210,103	213,111
Pension scheme contributions and social welfare	26,214	27,293
	<u>236,317</u>	<u>240,404</u>

7. INCOME TAX

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

The general corporate income tax rate in PRC is 25%. Certain of the Group's subsidiaries enjoy the preferential income tax treatment for small and micro enterprises with the income tax rate of 20% and are eligible to have their tax calculated based on 25% or 50% of their taxable income. One of the Group's subsidiaries is located in the Economic Area of GuangXi North Bay in south-western China and enjoy the preferential income tax rate of 9%.

Income tax in the interim condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current – Mainland China:		
Charge for the period	12,665	22,696
Deferred tax	1,096	(5,656)
Total tax charge for the period	<u>13,761</u>	<u>17,040</u>

8. DIVIDENDS

The board has resolved not to declare any interim dividend in respect of the period.

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

The calculation of the basic (loss)/earnings per share is based on the profit/(loss) for the Reporting Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,037,500,000 (six months ended 30 June 2023: 1,037,500,000) in issue during the Reporting Period.

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023 respectively.

The calculation of the basic (loss)/earnings per share amount is based on:

	For the six months ended 30 June	
	2024	2023
	RMB '000	RMB '000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic and diluted (loss)/earnings per share calculations	<u>(15,133)</u>	<u>15,447</u>
Shares		
Weighted average number of ordinary shares used in the basic and diluted (loss)/earnings per share calculation	<u>1,037,500,000</u>	<u>1,037,500,000</u>

10. TRADE RECEIVABLES

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

	30 June 2024	31 December 2023
	RMB '000	RMB '000
	(Unaudited)	(Audited)
Within 1 year	211,908	240,139
1 to 2 years	42,272	66,719
2 to 3 years	<u>18,163</u>	<u>2,889</u>
Total	<u>272,343</u>	<u>309,747</u>

11. TRADE PAYABLES

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

	30 June 2024	31 December 2023
	RMB '000	RMB '000
	(Unaudited)	(Audited)
Within 1 year	110,541	130,768
Over 1 year	<u>18,999</u>	<u>34,666</u>
Total	<u>129,540</u>	<u>165,434</u>

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Current		
Bank loans – secured	45,000	45,000
Bank loans – unsecured	12,000	13,000
Current portion of long-term Bank loans – secured	<u>6,040</u>	<u>6,040</u>
Total current	<u>63,040</u>	<u>64,040</u>
Non-current		
Bank loans – secured	<u>6,040</u>	<u>9,060</u>
Total	<u><u>69,080</u></u>	<u><u>73,100</u></u>
Carrying amounts repayable:		
Repayable within one year	63,040	64,040
Repayable within two to five years	<u>6,040</u>	<u>9,060</u>
	<u><u>69,080</u></u>	<u><u>73,100</u></u>

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

As at 30 June 2024, the Group's bank borrowings of RMB12,080,000 (31 December 2023: RMB15,100,000) were guaranteed by Zhenro Group Co., Ltd. ("**Zhenro Group Company**") and pledged by 70% equity interests of Jiangsu Sutie Property Management Co., Ltd., a subsidiary of the Company.

As at 30 June 2024, the Group's bank borrowings of RMB24,000,000 (31 December 2023: RMB24,000,000) were guaranteed by Zhenro Group Company and Mr. Ou Zongrong.

As at 30 June 2024, the Group's bank borrowings of RMB21,000,000 (31 December 2023: RMB21,000,000) were pledged by the Group's carparking spaces and also guaranteed by Zhenro Group Company and Mr. Ou Zongrong.

13. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 28 August 2024.

CHAIRMAN’S STATEMENT

Dear Shareholders,

I am pleased to present to you the Interim Results of the Group for the six months ended 30 June 2024.

RESULTS

During the Reporting Period, the revenue of the Group decreased by 9.6% to RMB548.1 million as compared with RMB606.5 million for the corresponding period last year; the loss for the period was RMB14.9 million, as compared with profit of RMB15.4 million in the same period of last year; the loss attributable to owners of the parent for the period was RMB15.1 million, as compared with profit of RMB15.4 million in the same period of last year.

BUSINESS REVIEW

In the first half of 2024, against the background of the gradual recovery of the global economy and the continuous optimization of the domestic policy environment, Zhenro Services Group actively responded to the challenges and achieved steady growth and breakthroughs in many aspects.

Leveraging on its leading market-oriented expansion capabilities and abundant deep-rooted regional resource integration advantages, the Group has expanded its market scale significantly. Meanwhile, the Group always regards quality service as its core competitiveness and continuously improves service standards and customer experience. In terms of talent development, the Company has increased its investment in this respect and built a diversified talent training system. The Company’s corporate culture has become increasingly mature and its team cohesion has been significantly enhanced. In addition, with its outstanding performance, the Company has also won a number of important awards both inside and outside the industry, further enhancing its brand image and market influence.

Facing the complex and ever-changing market environment, the Group closely followed the pulse of the times, actively adjusted its strategic layout, and wrote a new chapter in results with a steady pace and innovative thinking.

Focusing on advantageous regions, and adhering to high-quality development

In the first half of 2024, we adhered to a high-quality expansion strategy, focused on high-quality projects with stable cash flow, and concentrated on business areas such as scenic spots, rail transit, and office buildings. We successfully secured nine high-quality projects including Suzhou Wumen Wangting Canal Park, Zu Chongzhi Control Center Building of Line 11 of Suzhou Rail System, Jiangsu Province Mobile No. 81, and Neurodawn Pharmaceutical Complex Building. The Company’s synergistic effect of resource integration has become increasingly significant, and its management landscape has been further expanded, demonstrating the Company’s strong market competitiveness and development momentum.

With excellent operating results and good social image, we won a number of important awards inside and outside the industry in the first half of the year, including “TOP 15 Listed Property Management Companies in China in 2024”, “Top 10 Listed Property Management Companies in China with the most development characteristics in 2024 – Commercial Operation Services”, “TOP 16 Property Management Companies in China in terms of Comprehensive Strength in 2024”, “Property Service Sample Benchmark Companies of Property Service Business Center in China in 2024”, and “Property Service Sample Benchmark Companies of Property Service Public Construction in China in 2024”. These honors are not only recognition of our past efforts, but also a spur and encouragement for our future development.

Upholding quality as cornerstone and building happy communities with ingenuity

We are well aware that service quality is the foundation of an enterprise and the source of its development. In the first half of 2024, the Company continued to optimize service processes, introduced intelligent management tools, and deeply promoted smart operation products such as the “Ronglehui (榮樂慧)” smart customer service system and the “Ro’s Manager” smart operation and maintenance system to improve service response speed and quality. We regularly conduct customer satisfaction surveys and adjust service strategies in a timely manner to ensure that every owner can enjoy tailored and professional property services.

In addition, we have carefully planned and implemented a series of “Happiness, Prosperity and Pleasure” community cultural activities. By segmenting activity themes and activity groups, we enrich the community life of property owners and invisibly strengthen the community’s humanistic atmosphere and emotional connection between neighbors, making happiness the most prominent atmosphere in the community.

Emphasis on talent development and strengthening cultural construction

Talent is the most valuable asset of an enterprise. In the first half of 2024, the Company continued to increase its investment in talent team building and adopted a multi-dimensional and comprehensive strategy to build a high-quality and professional elite team. We actively broadened the channels for talent introduction and implemented diversified talent introduction and training strategies to attract high-quality professional talents to join us. At the same time, we pay attention to the personal growth and career planning of employees, and continuously improve the talent training system. In particular, we have launched a series of training programs such as the “Navigation Plan” and the “Ro’s General Training Camp” for middle and senior managers, aiming to enhance their strategic vision, leadership and business capabilities, and inject inexhaustible power into the long-term development of the Company.

At the same time, we attach great importance to the construction of corporate culture, actively practice the “Integrity•Action” culture, deeply root the core value of “Integrity builds prosperity” in the hearts of every Zhenro Services personnel, and reflect it in their daily behavior and work. Through the influence and guidance of corporate culture, the professional service capabilities and service awareness of Zhenro Services personnel have been significantly improved, forming a good spirit of perseverance and courage to take responsibility.

Outlook

Looking forward to the second half of 2024, we anticipate that the global economic recovery will continue, and domestic market demand will be further released. Zhenro Services will seize this favorable opportunity, continue to deepen its advantageous regions and optimize resource allocation through precise market analysis and positioning to increase its market share and brand influence; strengthen service quality, build brand reputation, and consolidate the basic business foundation; further optimize the talent structure and management mechanism and strengthen the deep integration of corporate culture construction and brand image to make every employee a disseminator and practitioner of brand image; and vigorously explore new growth points and business model innovation paths, to promote the Company for a higher level and higher quality development.

Acknowledgements

Finally, on behalf of my colleagues on the Board, I would like to express my sincere gratitude to all Shareholders, investors, partners and customers for their support to the Company, and to all employees for their hard work and dedication. We will continue to uphold the concept of “Providing Heartfelt and Personalized Services for Your Well-being” to create a better life for our customers and make continuous efforts to the prosperity for our 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, providing 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 providing assistance to property developers in showcasing and marketing their properties, cleaning and maintenance services, and security and visitor management services); (ii) additional tailored services customised to meet specific needs of 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 tenants and customers, which primarily include (i) brand and management output services; and (ii) sublease services.

The Group believes that its property management services business line serves as the basis for the Group to generate revenue, expand its business scale, and increase its customer base for its community value-added services to property owners and residents. The Group's value-added services to non-property owners can help it gain early access to property development projects and establish and cultivate business relationships with 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 and Steady Growth in Both Area and Scale

The Group adhered to the strategic target to steadily expand its management coverage area, and has achieved steady growth in contracted GFA and GFA under management through multiple efforts. As at 30 June 2024, the Group's contracted GFA amounted to approximately 109.7 million sq.m., representing an increase of 0.1% as compared with that as of 31 December 2023, and the number of contracted projects totalled 470. For the six months ended 30 June 2024, GFA under management of the Group's property management services was 80.8 million, which was at a similar level as at 31 December 2023, and the number of projects under management totalled 386.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the six months ended 30 June 2024 and for the year ended 31 December 2023 respectively:

	For the six months ended 30 June 2024		For the year ended 31 December 2023	
	Contracted GFA (<i>'000 sq.m.</i>)	GFA under management (<i>'000 sq.m.</i>)	Contracted GFA (<i>'000 sq.m.</i>)	GFA under management (<i>'000 sq.m.</i>)
As of the beginning of the period	109,643	80,763	109,093	80,128
New engagements ⁽¹⁾	139	105	992	974
Terminations ⁽²⁾	(75)	(69)	(442)	(339)
As of the end of the period	<u>109,707</u>	<u>80,799</u>	<u>109,643</u>	<u>80,763</u>

Notes:

- (1) With respect to residential communities the Group managed, new engagements primarily included preliminary management contracts for new properties developed by property developers and property management service contracts for residential communities replacing their previous property management service providers.
- (2) These terminations included the Group's voluntary non-renewal of certain property management service contracts as it reallocated its resources to more profitable engagements in an effort to optimise its property management portfolio.

Geographic Presence of the Group

As of 30 June 2024, the Group has expanded its geographic presence to 51 cities in China.

The table below sets forth a breakdown of the Group's total GFA under management and the total revenue generated from property management services by geographic location for the six months ended 30 June 2024 and 2023 respectively:

	As of 30 June or for the six months ended 30 June					
	2024			2023		
	GFA (<i>'000 sq.m.</i>)	Revenue RMB' <i>000</i>	Percentage of revenue %	GFA (<i>'000 sq.m.</i>)	Revenue RMB' <i>000</i>	Percentage of revenue %
Yangtze River Delta Region ⁽¹⁾	27,119	226,579	55.0	26,478	229,726	56.9
Bohai Rim Region ⁽²⁾	3,430	20,918	5.1	2,734	15,592	3.9
Midwest Region ⁽³⁾	24,273	65,854	16.0	25,728	68,504	17.0
Western Straits Region ⁽⁴⁾	25,977	98,407	23.9	25,774	89,610	22.2
Total	80,799	411,758	100.0	80,714	403,432	100.0

Notes:

- (1) Cities in which the Group has property management projects in the Yangtze River Delta Region include Shanghai, Nanjing, Suzhou, Hefei, Jiaxing, Taizhou, Chuzhou, Lu'an, Wuhu, Changzhou, Suzhou, Xuancheng, Chaohu, Fuyang, Hangzhou, Taizhou, Nantong, Xuzhou, Suqian, Chizhou and Wuxi.
- (2) Cities in which the Group has property management projects in the Bohai Rim Region include Tianjin, Jinan, Luoyang and Zhengzhou.
- (3) Cities in which the Group has property management projects in the Midwest Region include Nanchang, Yichun, Changsha, Wuhan, Xi'an, Ganzhou, Suizhou, Xiangyang, Yueyang, Chongqing, Chengdu, Ji'an, Huanggang, Guangyuan, Baoji, Kunming and Xianyang.
- (4) Cities in which the Group has property management projects in the Western Straits Region include Fuzhou, Putian, Pingtan, Nanping, Quanzhou, Sanming, Zhangzhou, Xiamen and Foshan.

Value-Added Services Provided to Non-Property Owners

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

In the first half of 2024, revenue from value-added services provided to non-property owners decreased by 22.6% to approximately RMB32.3 million compared to approximately RMB41.7 million in the same period of 2023, 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. In the first half of 2024, the revenue from value-added services to non-property owners accounted for 5.9% of the total revenue of the Group.

The following table sets forth the revenue breakdown of value-added services provided to non-property owners for the six months ended 30 June 2024 and 2023 respectively:

	For the six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales assistance services	17,037	52.8	24,057	57.7
Housing repair services	8,613	26.7	2,579	6.2
Additional tailored services and sales of goods	6,210	19.3	13,215	31.7
Pre-delivery inspection services	392	1.2	1,074	2.6
Preliminary planning and design consultancy services	—	—	732	1.8
Total	32,252	100.0	41,657	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 the first half of 2024, the revenue from community value-added services decreased by 35.7% to approximately RMB62.2 million compared to approximately RMB96.7 million in the same period of 2023, mainly due to the decrease in the number of service users. In the first half of 2024, revenue from community value-added services accounted for 11.3% of the total revenue of the Group.

The following table sets forth the revenue breakdown of community value-added services for the six months ended 30 June 2024 and 2023 respectively:

	For the six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Home-living services ⁽¹⁾	45,519	73.2	71,763	74.2
Car park management, leasing assistance and other services ⁽²⁾	5,943	9.6	9,535	9.9
Common area value-added services ⁽³⁾	10,714	17.2	15,368	15.9
Total	62,176	100.0	96,666	100.0

Notes:

- (1) It mainly includes services such as cleaning, group purchase, turnkey furnishing, home maintenance, value-added services related to tenants of operational management services and utility fee collection services.
- (2) It mainly includes income from the management and assistance of parking lot leasing, provision of real estate brokerage services related to properties and parking spaces to owners and other services.
- (3) It mainly includes common area advertising space and service income from common area leasing.

COMMERCIAL OPERATIONAL MANAGEMENT SERVICES

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

As at 30 June 2024, the number of commercial operation projects under management of the Group was 33, and the total GFA under management was approximately 1.7 million sq.m.. During the Reporting Period, the commercial operation projects under management were primarily located in Fuzhou, Changsha, Putian, Changzhou, Taixing, Xi'an. During the Reporting Period, the revenue of commercial operational management services was approximately RMB42.0 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 RMB548.1 million, representing a decrease of approximately 9.6% as compared with RMB606.5 million in the same period of 2023.

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

	For the six months ended 30 June				
	2024	Percentage	2023	Percentage	Growth
	<i>RMB'000</i>	of revenue	<i>RMB'000</i>	of revenue	rate
	Unaudited	%	Unaudited	%	%
Property management services	411,758	75.1	403,432	66.5	2.1
Value-added services to non-property owners	32,252	5.9	41,657	6.9	-22.6
Community value-added services	62,176	11.3	96,666	15.9	-35.7
Commercial operational management services	41,950	7.7	64,714	10.7	-35.2
Total	548,136	100.0	606,469	100.0	-9.6

Property management services is still the largest source of income for the Group. During the Reporting Period, revenue from property management services reached approximately RMB411.8 million, accounting for 75.1% 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 Limited and its subsidiaries and the Group's commitment to expanding the third-party customer 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 the number of service users. The decrease in revenue from commercial operation management services is mainly due to the decline in commercial rent.

Cost of Sales

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

During the Reporting Period, the cost of sales of the Group was approximately RMB437.0 million, representing a decrease of approximately 2.9% as compared with approximately RMB449.9 million in the same period of 2023. The decrease in the cost of sales was mainly due to the decline in the business scale of the Group.

Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit decreased by approximately 29.0% from approximately RMB156.5 million for the same period in 2023 to approximately RMB111.2 million.

During the Reporting Period, the gross profit margin of the Group decreased to 20.3% from 25.8% for the same period in 2023, which was due to market competition and the environment in the real estate sector.

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

	For the six months ended 30 June		
	2024	2023	Changes in gross profit margin
	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Percentage points</i>
	%	%	
Property management services	20.1	22.9	-2.8
Value-added services to non-property owners	2.2	4.9	-2.7
Community value-added services	20.1	30.3	-10.2
Commercial operational management services	38.6	50.5	-11.9
Total	20.3	25.8	-5.5

Other income and gains

During the Reporting Period, the other income and gains of the Group increased by approximately 253% from approximately RMB7.8 million for the same period in 2023 to approximately RMB27.4 million. The increase was mainly due to initial recognition of sublease transaction.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group decreased by approximately 1.8% from approximately RMB82.7 million for the same period in 2023 to approximately RMB81.2 million. During the Reporting Period, administrative expenses accounted for 14.8% of the revenue, representing an increase of 1.2 percentage points as compared with 13.6% in the same period of 2023, mainly due to a decrease in revenue during the Reporting Period.

Income tax

During the Reporting Period, the Group recorded income tax expense of approximately RMB13.8 million, an decrease of approximately 19.2% compared to the same period in 2023, which was approximately RMB17.0 million.

Profit attributable to owners of the parent

During the Reporting Period, the loss attributable to owners of the parent was approximately RMB15.1 million, as compared with the profit attributable to owners of the parent of approximately RMB15.4 million in the same period in 2023.

Property and equipment

The property and equipment of the Group mainly included buildings, office equipment, electronic equipment and other assets. As of 30 June 2024, the property and equipment of the Group was approximately RMB7.1 million, representing an increase of approximately RMB1.4 million or 23.8% as compared with approximately RMB5.7 million as at 31 December 2023.

Trade receivables

The Group's trade receivables mainly derived from its revenue from property management services and value-added services provided to non-property owners. As of 30 June 2024, the Group's trade receivables amounted to approximately RMB272.3 million, representing a decrease of approximately RMB37.4 million or approximately 12.1% as compared with approximately RMB309.7 million as of 31 December 2023. The decrease mainly due to the increase in payment collection rate as a result of the Group's increased efforts in collection during the Reporting Period.

Prepayments, deposits and other receivables

The Group's prepayments, deposits and other receivables primarily consisted of payments made on behalf of its 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 30 June 2024, the Group's prepayments, deposits and other receivables amounted to approximately RMB105.5 million, which was quite stable as compared with approximately RMB108.1 million as at 31 December 2023.

Trade payables

As of 30 June 2024, the Group's trade payables amounted to approximately RMB129.5 million, representing a decrease of approximately 21.7% from approximately RMB165.4 million as of 31 December 2023. The decrease was mainly due to the decrease in the Company's procurement scale.

LIQUIDITY AND FINANCIAL RESOURCES

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

During the Reporting Period, the Group's cash was primarily used as working capital and deposits for acquisition of subsidiaries, which was mainly funded from cash flow generated from operations.

The Group's interest-bearing and other borrowings were all denominated in RMB and bear interest at fixed rates. As of 30 June 2024, the borrowings of the Group amounted to RMB69.1 million, compared to RMB73.1 million as of 31 December 2023. From the respective drawdown dates, the Group's interest-bearing and other borrowings repayable within one year were RMB63.0 million and repayable over one year were RMB6.1 million as of 30 June 2024, while the Group's borrowings repayable within one year were RMB64.0 million and repayable over one year were RMB9.1 million as of 31 December 2023. 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 of 30 June 2024.

PLEDGE OF ASSETS

As at 30 June 2024, the Group's bank borrowings, in the amount of RMB12,080,000 were secured by the pledge of 70% equity interest in a subsidiary, Jiangsu Sutie Property Management Co., Ltd. (31 December 2023: RMB15,100,000).

As at 30 June 2024, the Group's bank borrowings of RMB21,000,000 (31 December 2023: 21,000,000) were pledged by the Group's carparking spaces.

FINANCIAL RISKS

INTEREST RATE RISK

The Group's exposure to risk for changes in interest rates is primarily related to the Group's interest-bearing bank and other borrowings. The Group was not exposed to material risk directly relating to changes in market interest rates. The Group did not use derivative financial instruments to hedge interest rate risk. The Group's all bank borrowings were obtained with fixed interest rates.

FOREIGN EXCHANGE RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles its transactions is mainly RMB. Any depreciation of RMB would adversely affect the value of any dividends the Group pays to shareholders outside of the PRC. Cash at bank of the Group as at 30 June 2024 was denominated in RMB. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk.

DEBT TO ASSET RATIO

As of 30 June 2024, the Group's debt to asset ratio was 0.06 times, which was comparable to the debt to asset ratio of 0.07 times as of 31 December 2023. Debt to asset ratio equals interest-bearing bank borrowings divided by total equity.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

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

CONTINGENT LIABILITIES

As of 30 June 2024, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

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

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2024, other than its plan to invest in information management system and "Rong Wisdom" (榮智慧) service software which shall be financed by the Net Proceeds as defined under the heading "Use of Proceeds from the initial public offering" in this announcement, the Group had no plans to make any material investments or capital assets.

EMPLOYEES

As at 30 June 2024, the Group had approximately 3,395 employees (31 December 2023: approximately 3,485 employees). During the Reporting Period, the total staff costs were approximately RMB236.3 million.

In terms of talent training, the Group will further enhance its employee training program with internal and external resources. The employee training programs primarily cover key areas in the Group's business operations, which provide ongoing 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 determined 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 also participates in social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of its employees, a monthly social insurance funds covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and the housing provident fund, or to contribute regularly to mandatory provident fund schemes on behalf of its employees.

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds raised in connection with the initial public offering of the Company in July 2020 (including the exercise of the over-allotment 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 30 June 2024 are set out below:

Proposed use of Net Proceeds	Net Proceeds Re-allocated <i>RMB million</i>	Utilised Net Proceeds from 1 January to 30 June 2024 <i>RMB million</i>	Unutilised Net Proceeds as of 1 January 2024 <i>RMB million</i>	Unutilised Net Proceeds as of 30 June 2024 <i>RMB million</i>	Expected time of full utilisation
Development of the Group’s information management system	228.3	102.8	19.2	83.6	Before 31 December 2024
Further development of the Group’s “Rong Wisdom” (榮智慧) service software	171.2	76.6	8.5	68.1	Before 31 December 2024
General business operations and working capital	114.2	–	–	–	Not applicable
Acquisition of Zhenro Commercial Management	628.0	–	–	–	Not applicable
Total	1,141.7	179.4	27.7	151.7	

OTHER INFORMATION

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 (“**Corporate Governance Code**”) as contained in the Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as in force from time to time as the basis of the Company’s corporate governance practices.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ securities transactions.

All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the guidelines contained in the Model Code throughout the Reporting Period.

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

Neither the Company nor any of its subsidiaries purchased, sold and redeemed any of the listed securities (including disposal of treasury shares) of the Company during the Reporting Period. The Company did not hold any treasury shares at the end of the Reporting Period.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There were no major events which would have an impact on the Company since the end of the Reporting Period and up to the date of this announcement.

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.

REVIEW OF INTERIM RESULTS BY 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. The primary duties of the Audit Committee include, but are not limited to, (i) reviewing and supervising financial reporting process and internal control system of the Group, risk management and internal audit; (ii) providing recommendations and advices to the Board; and (iii) performing other duties and responsibilities as may be assigned by the Board.

The Audit Committee comprises of three members, namely Mr. Zhang Wei and Mr. Ma Haiyue, who are independent non-executive Directors, and Mr. Liu Weiliang, who is a non-executive Director. Mr. Zhang Wei is 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 Interim Results for the six months ended 30 June 2024 have been reviewed by the Audit Committee before being recommended to the Board for approval. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

This Interim Results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.zhenrowy.com). The interim report of the Company for the six months ended 30 June 2024 will be despatched to the shareholders of the Company if so requested and will be made available on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

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

Hong Kong, 28 August 2024

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