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S-Enjoy Service Group Co., Limited

新城悅服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1755)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

As at 30 June 2021, the Group's revenue was approximately RMB1,877.0 million, representing an increase of approximately 53.6% from approximately RMB1,221.6 million for the corresponding period in 2020.

As at 30 June 2021, the Group's revenue from property management services was approximately RMB919.7 million, representing approximately 49.0% of total revenue and an increase of approximately 73.6% from approximately RMB529.8 million for the corresponding period in 2020; revenue from community-related value-added services was approximately RMB292.9 million, representing approximately 15.6% of total revenue and an increase of approximately 58.2% from approximately RMB185.1 million for the corresponding period in 2020; revenue from smart community services was approximately RMB273.6 million, representing approximately 14.6% of total revenue and an increase of approximately 31.3% from approximately RMB208.4 million for the corresponding period in 2020; and revenue from developer-related value-added services was approximately RMB390.7 million, representing approximately 20.8% of total revenue and an increase of approximately 31.0% from approximately RMB298.3 million for the corresponding period in 2020.

As at 30 June 2021, gross profit of the Group was approximately RMB574.6 million, representing an increase of approximately 57.8% as compared with approximately RMB364.1 million for the corresponding period in 2020; gross profit margin increased by 0.8 percentage point to 30.6% from 29.8% for the corresponding period in 2020 and the increase in gross profit margin was mainly due to an increase in gross profit margin of value-added services from the corresponding period in 2020; profit for the period was approximately RMB304.1 million, representing an increase of approximately 48.0% from approximately RMB205.5 million for the corresponding period in 2020; and net profit attributable to owners of the Company was approximately RMB286.4 million, representing an increase of approximately 51.6% from the corresponding period in 2020.

As at 30 June 2021, the gross floor area (“**GFA**”) under management of the Group was approximately 122.4 million sq.m., representing a net increase of approximately 21.0 million sq.m. or approximately 20.7% as compared with that at the end of 2020, of which the area from third parties accounted for approximately 42.8%; the contracted GFA of the Group was approximately 250.1 million sq.m., representing a net increase of approximately 47.0 million sq.m. or approximately 23.1% as compared with that at the end of 2020, of which the area from third parties accounted for approximately 34.7%.

The board (the “**Board**”) of directors (the “**Directors**”) of S-Enjoy Service Group Co., Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period of 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		Unaudited	Unaudited
		RMB'000	RMB'000
Revenue	<i>5</i>	1,876,950	1,221,648
Cost of sales and services	<i>5,6</i>	(1,302,301)	(857,504)
Gross profit		574,649	364,144
Selling and marketing expenses	<i>6</i>	(15,311)	(9,700)
Administrative expenses	<i>6</i>	(169,743)	(107,849)
Net impairment losses on financial assets		(43,588)	(19,793)
Other income		38,734	24,572
Other expenses		(895)	(2,345)
Other (losses)/gains – net		(17,642)	5,208
Operating profit		366,204	254,237
Finance income	<i>7</i>	14,371	11,830
Finance cost		(127)	(171)
Finance income – net		14,244	11,659
Profit before income tax		380,448	265,896
Income tax expense	<i>8</i>	(76,370)	(60,376)
Profit for the period		304,078	205,520

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		Unaudited	Unaudited
		RMB'000	RMB'000
Profit for the period is attributable to:			
– Owners of the Company		286,417	188,931
– Non-controlling interests		17,661	16,589
		<u>304,078</u>	<u>205,520</u>
Total comprehensive income for the period		<u>304,078</u>	<u>205,520</u>
Total comprehensive income for the period is attributable to:			
– Owners of the Company		286,417	188,931
– Non-controlling interests		17,661	16,589
		<u>304,078</u>	<u>205,520</u>
Earnings per share (expressed in RMB per share)			
– Basic earnings per share	<i>9</i>	<u>0.34</u>	<u>0.23</u>
– Diluted earnings per share	<i>9</i>	<u>0.34</u>	<u>0.23</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Assets			
Non-current assets			
Property, plant and equipment		36,204	14,209
Right-of-use assets		8,728	10,043
Intangible assets	10	248,564	197,419
Deferred income tax assets		68,591	57,967
Deposits	12	1,944	7,893
Financial assets at fair value through other comprehensive income		1,000	1,000
Financial asset at fair value through profit or loss		47,806	40,145
Total non-current assets		412,837	328,676
Current assets			
Inventories		27,136	17,535
Contract assets		310,027	247,329
Financial assets at fair value through profit or loss		321,513	245,296
Trade receivables	11	820,848	356,568
Prepayments, deposits and other receivables	12	347,616	236,512
Cash and cash equivalents		2,642,693	1,882,136
Total current assets		4,469,833	2,985,376
Total assets		4,882,670	3,314,052
Equity			
Equity attributable to owners of the Company			
Share capital	13	60,024	56,641
Reserves		2,181,470	1,225,167
Non-controlling interests		156,313	127,781
Total equity		2,397,807	1,409,589

	<i>Note</i>	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		1,271	3,420
Provisions		1,286	1,806
Deferred tax liabilities		45,648	42,751
Total non-current liabilities		48,205	47,977
Current liabilities			
Lease liabilities		1,575	1,157
Contract liabilities		749,802	628,073
Trade and other payables	14	1,352,110	1,134,655
Current income tax liabilities		93,352	92,601
Dividend payable		239,819	—
Total current liabilities		2,436,658	1,856,486
Total liabilities		2,484,863	1,904,463
Total equity and liabilities		4,882,670	3,314,052
Net current assets		2,033,175	1,128,890

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

S-Enjoy Service Group Company Limited (the “Company”) was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Law (Cap.22, law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services and value-added services in the People’s Republic of China (the “PRC”). The ultimate controlling company is Infinity Fortune Development Limited. The ultimate controlling shareholder of the Group is Mr. Wang Zhenhua (“Mr. Wang” or the “Ultimate Controlling Shareholder”).

The Company has its primary listing on The Stock Exchange of Hong Kong Limited on 6 November 2018.

The condensed consolidated interim financial information has been presented in thousands of Renminbi (“RMB”), unless otherwise stated, and were approved and authorized for issue by the board of directors of the Company on 20 August 2021.

The condensed consolidated interim financial information has not been audited.

2 BASIC OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2020 (“2020 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

3 ACCOUNTING POLICIES

Except for the newly effective standards, amendments and interpretations that became applicable to the Group first time in the six months ended 30 June 2021, the accounting policies adopted are consistent with those of the 2020 Financial Statements as described therein.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 New standards, amendments and interpretation adopted by the Group in the six months ended 30 June 2021

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFS 9 and HKFS 16 – Regarding Interest Rate Benchmark Reform – Phase 2

The adoption of the above new standard, amendments and interpretation starting from 1 January 2021 did not give rise to any significant impact on the Group’s results of operations and financial position for the six months ended 30 June 2021.

3.2 Impact of standards issued but not yet applied by the Group

Certain new accounting standard, amendments and interpretation have been published but are not mandatory for the financial year beginning 1 January 2021 and have not been early adopted by the Group. These new accounting standard, amendments and interpretation are not expected to have a material impact on the Group’s financial statements when they become effective.

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive and non-executive directors.

For the six months ended 30 June 2021, the Group was principally engaged in the provision of property management services and value-added services, including developer-related services, community-related services and smart community services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group’s revenue was derived in the PRC during the six months ended 30 June 2021.

As at 30 June 2021 and 31 December 2020, all of the non-current assets of the Group were located in the PRC excluding financial instruments and deferred tax assets.

5 REVENUE AND COST OF SALES AND SERVICES

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group’s revenue and cost of sales and services by category for the six months ended 30 June 2021 and 2020 is as follows:

	Six months ended 30 June			
	2021		2020	
	Unaudited		Unaudited	
	RMB’000		RMB’000	
	Revenue	Cost of sales and services	Revenue	Cost of sales and services
Revenue from customers and recognised over time:				
Property management Services	919,700	635,436	529,793	360,079
Value added services:				
– Developer-related services	390,728	276,625	298,309	213,894
– Community-related services	156,650	75,987	77,097	26,365
– Smart community services	273,613	229,753	208,446	177,390
	<u>1,740,691</u>	<u>1,217,801</u>	<u>1,113,645</u>	<u>777,728</u>
Revenue from customers recognised at a point in time				
Value added services:				
– Community-related services	136,259	84,500	108,003	79,776
	<u>1,876,950</u>	<u>1,302,301</u>	<u>1,221,648</u>	<u>857,504</u>

6 EXPENSES BY NATURE

Expenses included in cost of sales and services, selling and marketing expenses and administrative expenses are as follows:

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Employee benefit expenses	625,608	302,022
Outsourced security, greening and cleaning costs	355,259	289,840
Raw material and components	331,771	298,334
Utilities	69,153	30,875
Travelling expenses	19,492	10,091
Depreciation and amortisation charges	16,138	5,732
Professional fees	15,765	8,629
Office expenses	11,797	10,219
Taxes and surcharges	10,725	5,821
Business entertainment expenses	7,015	3,159
Employee uniform and related expenses	5,623	3,099
Bank charges	3,700	2,394
Advertising & promotion expenses	1,031	1,504
Operating lease payments	279	131
Others	13,999	3,203
	1,487,355	975,053

7 FINANCE INCOME

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest income on cash and cash equivalents	14,371	11,830

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– PRC Corporate income tax	64,865	34,434
Deferred income tax		
– PRC Corporate income tax	11,505	25,942
	76,370	60,376

(a) Cayman Island income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) British Virgin Islands income tax

British Virgin Islands (“BVI”) income tax under the current laws of BVI, our subsidiaries incorporated in BVI and all dividends, interest, rents, royalties, compensation and other amounts paid by such subsidiaries incorporated in the BVI to persons who are not resident in the BVI and any capital gains realised with respect to any shares, debt obligations, or other securities of such subsidiaries incorporated in the BVI by persons who are not resident in the BVI are exempt from all provisions of the Income Tax Ordinance in the BVI. In addition, upon payments of dividends by our BVI subsidiaries to us, no BVI withholding tax is imposed.

(c) Hong Kong profits tax

No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax during the six months ended 30 June 2021 and 2020.

(d) PRC Corporate Income Tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

Tibet Xinchengyue Property Services Co., Ltd. (“Tibet Xinchengyue”), one of the Company’s subsidiary applied a preferential tax rate of 15% until 2030 for its head office in Tibet as part of the Western Region Development strategy after it changed its place of incorporation from Changzhou to Tibet on 17 December 2015. Tibet Xinchengyue has a number of branches across China. According to the relevant tax laws and regulations, the Group files its income tax return by combining the taxable income of head office in Tibet and all of its branches with 50% of the aggregate taxable income apportion to the head office in Tibet which is subject to income tax rate of 15% and the remaining 50% among the branches which are subject to income tax rate of 25%, resulting in an average of 20% applicable income tax rate.

Chengdu Chengyue Times Property Services Ltd. (“Chengyue Times”), a newly acquired subsidiary, is also subject to a preferential tax rate of 15% as part of the Western Region Development strategy, which will expire in 2030.

Jiangsu Ruohong Intelligent Technology Co., Ltd. (“Jiangsu Ruohong”) is qualified for a High and New Technology Enterprise by the Ministry of Science and Technology in March 2021 and is entitled to a preferential tax rate of 15%, which will expire in 2024.

The corporate income tax rate applicable to the entities located in Mainland China out of Tibet Autonomous Region and Chengdu is 25% according to the Corporate Income Tax Law of the PRC.

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Group made a provision for PRC withholding tax based on the tax rate of 10% on an estimated 30% of the earnings generated by its PRC entities. The Group controls the dividend policies of these subsidiaries and it has been determined that all the earnings will not be distributed in the foreseeable future for the six months ended 30 June 2021.

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the six months ended 30 June 2021 is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issued during the period.

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Earnings:		
Profit attributable to owners of the Company used in the basic earnings per share calculation (RMB'000)	286,417	188,931
Number of shares:		
Weighted average number of ordinary shares in issue during the period basic earnings per share calculation (in thousand)	838,971	818,100
Basic earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB)	0.34	0.23

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's share-based payment is of dilutive potential.

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Earnings:		
Profit attributable to owners of the Company used in the diluted earnings per share calculation (RMB'000)	286,417	188,931
Number of shares:		
Weighted average number of ordinary shares in issue during the period per share calculation (in thousand)	838,971	818,100
Add: numbers of dilutive shares (in thousand)	11,658	10,978
Weighted average number of ordinary shares in issue and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousand)	850,629	829,078
Diluted earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB)	0.34	0.23

10 INTANGIBLE ASSETS

	Computer software <i>RMB'000</i>	Licenses <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Trademark <i>RMB'000</i>	Customer relationships <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)						
As at 1 January 2021						
Cost	11,878	84	104,086	8,000	80,984	205,032
Accumulated amortisation	(3,719)	(33)	–	(356)	(3,505)	(7,613)
Net book amount	8,159	51	104,086	7,644	77,479	197,419
Six months ended 30 June 2021						
Opening net book amount	8,159	51	104,086	7,644	77,479	197,419
Additions	1,270	1,230	–	–	–	2,500
Acquisition of subsidiaries (<i>Note 16</i>)	–	–	39,576	–	15,600	55,176
Amortisation	(1,094)	(50)	–	(267)	(5,120)	(6,531)
Closing net book amount	8,335	1,231	143,662	7,377	87,959	248,564
As at 30 June 2021						
Cost	13,148	1,314	143,662	8,000	96,584	262,708
Accumulated amortisation	(4,813)	(83)	–	(623)	(8,625)	(14,144)
Net book amount	8,335	1,231	143,662	7,377	87,959	248,564
(Unaudited)						
As at 1 January 2020						
Cost	7,101	84	6,585	–	–	13,770
Accumulated amortisation	(2,094)	(25)	–	–	–	(2,119)
Net book amount	5,007	59	6,585	–	–	11,651
Six months ended 30 June 2020						
Opening net book amount	5,007	59	6,585	–	–	11,651
Additions	3,402	–	–	–	–	3,402
Acquisition of a subsidiary	–	–	64,137	8,000	43,104	115,241
Amortisation	(599)	(4)	–	(89)	(718)	(1,410)
Closing net book amount	7,810	55	70,722	7,911	42,386	128,884
As at 30 June 2020						
Cost	10,503	84	70,722	8,000	43,104	132,413
Accumulated amortisation	(2,693)	(29)	–	(89)	(718)	(3,529)
Net book amount	7,810	55	70,722	7,911	42,386	128,884

11 TRADE RECEIVABLES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade receivables (<i>Note (a)</i>)		
– Related parties	363,218	137,529
– Third parties	546,676	271,436
	909,894	408,965
Less: allowance for impairment of trade receivables	(89,046)	(52,397)
	820,848	356,568

- (a) Trade receivables mainly arise from property management services managed under lump sum basis and value-added services. Property management services income under lump sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by the property owners upon rendering of services.

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 1 year	781,439	322,693
1 to 2 years	95,452	47,629
2 to 3 years	19,062	26,081
3 to 4 years	7,447	6,312
4 to 5 years	3,841	2,392
Over 5 years	2,653	3,858
	909,894	408,965

As at 30 June 2021 and 31 December 2020, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts. Property management services and value-added services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

As at 30 June 2021 and 31 December 2020, no trade receivables of the Group were pledged to secure borrowings granted to the Group.

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 Unaudited RMB'000		31 December 2020 Audited RMB'000	
	Current	Non-current	Current	Non-current
Prepayments				
– Utilities and outsourced services	43,622	–	42,869	–
– Components and raw materials to be used	24,692	–	6,193	–
Subtotal	68,314	–	49,062	–
Input VAT to be deducted	2,804	–	6,845	–
Deposits	185,512	1,970	132,344	8,000
Other receivables				
– Payments on behalf of property owners (Note)	97,329	–	53,969	–
– Others	19,753	–	14,378	–
Subtotal	117,082	–	68,347	–
Total	373,712	1,970	256,598	8,000
Less: allowance for impairment of other receivables and deposits	(26,096)	(26)	(20,086)	(107)
	<u>347,616</u>	<u>1,944</u>	<u>236,512</u>	<u>7,893</u>

Note: As at 30 June 2021 and 31 December 2020, the amounts represented the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

As at 30 June 2021 and 31 December 2020, prepayments, deposits and other receivables were denominated in RMB.

13 SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 16 January 2018. At the date of incorporation, the authorised share capital is USD51,200 comprising 51,200 ordinary shares of USD1.00 each. As at 30 June 2021, the authorised share was 10,000,000,000 shares at par value of USD0.01.

Ordinary shares, issued and fully paid:

	Number of shares	USD'000	RMB'000
(Unaudited)			
As at 1 January 2021	820,049,000	8,200	56,641
Exercise of share option (Note 1)	2,021,000	20	131
Placing of share (Note 2)	50,000,000	500	3,252
As at 30 June 2021	<u>872,070,000</u>	<u>8,720</u>	<u>60,024</u>

Note 1 During the six months ended 30 June 2021, several employees under 2019 share option scheme exercised 2,021,000 share options in total with exercise price of HKD6.18 per share. The Company received the net proceeds from the exercise approximately HKD12,489,780 (equivalent to approximately RMB10,434,136).

Note 2 On 16 March 2021, the Company entered into a placing agreement with the placing agents in relation to the placing of 50,000,000 ordinary shares at a placing price of HK\$20.80 per share. On 23 March 2021, the share placing was completed. The Company received the net proceeds from the placing of shares of approximately HKD1,032 million (equivalent to approximately RMB864 million).

14 TRADE AND OTHER PAYABLES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade payables (<i>note (a)</i>)		
– Third parties	392,821	296,887
Other payables		
– Accrued expenses	70,877	113,572
– Amounts collected on behalf of property owners	538,455	448,694
– Consideration payables for acquisition of subsidiaries	39,458	28,853
– Others	5,772	14,096
	654,562	605,215
Accrued payroll	196,104	178,204
Other tax payables	108,623	54,349
	1,352,110	1,134,655

(a) As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables based on invoice date were as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 1 year	364,849	294,386
1 to 2 years	26,945	1,400
2 to 3 years	648	523
Over 3 years	379	578
	392,821	296,887

(b) At 31 December 2020 and 30 June 2021, trade and other payables were denominated in RMB.

15 DIVIDENDS

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Dividends	239,819	147,258

The board of the Company did not recommend payment of any interim dividend for the six months ended 30 June 2021.

A final dividend in respect of 2020 of RMB0.275 per ordinary share, amounting to RMB239,819,000 was approved at the annual general meeting of the Company held on 28 June 2021. The dividend is reflected as an appropriation of share premium. As at 30 June 2021, the dividend had not been paid.

16 BUSINESS COMBINATION

In May 2021, a subsidiary of the Company acquired 55% of the equity interest in Shandong Lead Property Management Co., Ltd. ("Lead Property") at the consideration of RMB28,868,000. Lead Property has been accounted for as a subsidiary of the Group since the acquisition date.

In June 2021, a subsidiary of the Company acquired 80% of the equity interest in Xiangcheng Property Service Group Co., Ltd. ("Xiangcheng Property") at the consideration of RMB40,000,000. Xiangcheng Property has been accounted for as a subsidiary of the Group since the acquisition date.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Lead Property Unaudited RMB'000	Xiangcheng Property Unaudited RMB'000	Total Unaudited RMB'000
Purchase consideration			
Cash payment			
– Settled as at 30 June 2021	25,981	16,000	41,981
– Outstanding as at 30 June 2021	2,887	24,000	26,887
	<u>28,868</u>	<u>40,000</u>	<u>68,868</u>
Total purchase consideration	<u>28,868</u>	<u>40,000</u>	<u>68,868</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	Lead Property Unaudited <i>RMB'000</i>	Xiangcheng Property Unaudited <i>RMB'000</i>	Total Unaudited <i>RMB'000</i>
Cash and cash equivalents	5,188	12,646	17,834
Trade receivables	5,925	5,858	11,783
Prepayments, deposits and other receivables	24,127	1,652	25,779
Inventories	192	–	192
Net deferred tax assets	–	137	137
Property, plant and equipment	366	39	405
Intangible assets (<i>Note 10</i>)	15,600	–	15,600
Net deferred tax liabilities	(3,915)	–	(3,915)
Payables and other payables	(8,737)	(10,280)	(19,017)
Contract liabilities	(4,764)	(3,420)	(8,184)
Current income tax liabilities	(357)	(1,543)	(1,900)
	<u>33,625</u>	<u>5,089</u>	<u>38,714</u>
Less: non-controlling interests	(8,404)	(1,018)	(9,422)
Add: goodwill (<i>Note 10</i>)	<u>3,647</u>	<u>35,929</u>	<u>39,576</u>
	<u>28,868</u>	<u>40,000</u>	<u>68,868</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2021, the pandemic casted lingering uncertainties across the world. Although vaccination schemes rolled out smoothly in major economies and majority of them have almost achieved group immunisation, the Delta virus, a new variant of COVID-19, which has spread in a large scale commencing from the beginning of the year, has dampened the prospects for global pandemic relief due to its significantly strong infection rate and relatively higher ratio of acute cases. As a result of on-going effective implementation of efficient anti-pandemic measures in Mainland China, domestic economic activities and residents' daily work and life have returned to normal, and China's gross domestic product (GDP) surpassed global economic growth at an extremely high rate of 12.7% in the first half of 2021. In addition, China's property management industry has also fully recovered. As the property management industry secured outstanding performance during the pandemic throughout 2020, China's central government and local governments introduced multiple incentive policies in tandem in the first half of the year to support the healthy development of the property management industry and facilitate the provision of more comprehensive community-related value-added services to the communities.

The Group also won an array of social and industrial recognitions and accolades in the first half of 2021. With respect to the capital market, the Company became a constituent of the Hang Seng Composite Index in February 2021 and was included into the Hong Kong Stock Connect in March 2021. The Company had also received recognition from the government for its performance through Jiangsu Ruohong Intelligent Technology Co., Ltd., (江蘇若鴻智能科技有限公司), a subsidiary of the Company engaged in smart community services, was named as High and New Technology Enterprise by the Ministry of Science and Technology in March 2021, and the Company was awarded the title of 2020 Putuo District Key Economic Contributor (2020年度普陀區經濟貢獻重點企業) by the government of Putuo District in Shanghai, where the Company is headquartered. Whilst the subsidiaries of the Company engaging in courier lockers were approved by the State Post Bureau to establish the National Postal Industry Technology Research and Development Centre (國家級郵政行業技術研發中心) in April 2021. With respect to the industry, the Company gained accolades from various industrial institutions in the first half of the year, including, 2021 Human Resources Management Outstanding Award (2021人力資源管理傑出獎), 2021 Top 100 Property Enterprises in Terms of Services (TOP 15) (2021物業服務力百強企業TOP15), and China's Top 100 Property Service Enterprises in Terms of Brand Valuation (中國物業服務企業品牌價值 100 強) etc..

BUSINESS REVIEW

The Group refreshed its three-year planning at the commencement of 2021 and formulated the “one core and two increments” strategy aiming at “three-fold growth in three years” quality development. In terms of property management services, through leveraging the strategy of full-spectrum property services and residential property management covering all customers, we improved property service standards and systems targeting different property types and customer groups. In terms of incremental expansion, we continued to strengthen the synergy with Seazen Group Limited and its subsidiaries (“**Seazen Group**”, an entity controlled by Mr. Wang) in project expansion and business mergers and acquisitions (M&A), and accelerated planning in national key regions. In terms of value-added services, we proactively extended footprints to property industrial chains with potential and much certainty, or explored value-added business portfolios promising great synergy with the property industry, which are set to achieve quality development for the Company.

The Group also delivered remarkable results in the first half of 2021 in the course of its strategic layout. During the first half of 2021, the Group’s revenue was approximately RMB1,877.0 million, representing a year-on-year increase of approximately 53.6%, primarily driven by a year-on-year revenue increase of approximately 73.6% recorded by property management services to approximately RMB919.7 million and a year-on-year revenue increase of approximately 58.2% recorded by community-related value-added services to approximately RMB292.9 million. In the first half of 2021, the Group’s net profit was approximately RMB304.1 million, representing a year-on-year increase of approximately 48.0%; net profit attributable to equity shareholders of the Company reached approximately RMB286.4 million, representing a year-on-year increase of approximately 51.6%; and core net profit attributable to equity shareholders of the Group after deducting exchange gains and loss as well as management incentives amounted to approximately RMB320.5 million, representing a year-on-year increase of approximately 64.4%. Profitability of the Group in 2021 has been further enhanced. Overall gross profit margin increased by approximately 0.8 percentage point to approximately 30.6% from that of the corresponding period of the previous year.

With respect to property management services business, in the first half of 2021, revenue of the Group’s property management services reached approximately RMB919.7 million, representing a year-on-year increase of approximately 73.6%. As at 30 June 2021, the Group’s GFA under management reached approximately 122.4 million sq.m., representing an increase of approximately 21.0 million sq.m. from that at the end of 2020, and the contracted GFA of the Group was approximately 250.1 million sq.m., representing an increase of approximately 47.0 million sq.m. from that at the end of 2020. The robust growth in revenue of the Company’s property management services was attributable to the rapid increase in the Group’s GFA under management in 2020. In the first half of 2021, the Company stepped up its M&A and project expansion efforts by designating two senior management members responsible for market expansion and M&A projects in different regions. Besides, the Company enhanced investment and exploration to fuel strong momentum to M&A and project expansion in the first half of 2021. The Company newly secured contracted GFA from third parties of approximately 23.4 million sq.m. in the first half of the year, almost twice of that recorded in the first half of 2020. In particular, the Company secured contracted GFA of approximately 10.3 million sq.m. through three acquisitions, and established initial presence in the field of hospital property management with relatively high entry barriers following the acquisition of Zhejiang Liangshi Property Service Co., Ltd. (浙江梁士物業服務有限公司). In addition, the management of Chengdu Chengyue Times Property Services Ltd. (成都誠悅時代物業服務有限公司) (“**Chengyue Times**”) took the initiative to acquire Shandong Lead Property Management Co., Ltd. (山東麗都物業管理有限公司) (“**Lead Property**”) which primarily focuses on public building management. In future, Chengyue Times is expected to empower the catering services capacity and achieve win-win with Lead Property. In 2021, gross profit margin of the property management services business dropped by 1.1 percentage points to 30.9% as the Company was no longer entitled to the exemptions of social insurance.

With respect to community-related value-added services, in the first half of 2021, revenue reached approximately RMB292.9 million, representing a year-on-year increase of approximately 58.2% and accounting for approximately 15.6% of the total revenue of the Company with gross profit of approximately RMB132.4 million, representing approximately 23.0% of the total gross profit of the Company. The rapid increase in revenue and gross profit of community-related value-added services was mainly attributable to the accelerated progress made in several new business operations embarked on by the Company since last year: 1) revenue of the facility management services increased by over 78.6% and as at the date of this announcement, the number of elevators under our repair and maintenance exceed 20,000; 2) the catering services of Chengyue Times advanced smoothly and will gradually extend to East China region leveraging the Company's platform. Currently, the daily customer base of catering services has exceeded 20,000 persons, contributing to a year-on-year increase in revenue of approximately 353.2% in the first half of the year. Besides, the Company started to set foot upon courier lockers services since March 2021, which was in steady progress and contributed to the approximately 161.0% increase in the revenue from the community retail and convenience services in the first half of the year.

With respect to other value-added services, in the first half of 2021, revenue of the smart community services was approximately RMB273.6 million, representing a year-on-year increase of approximately 31.3%, and gross profit margin increased by 1.1 percentage points from that of the corresponding period of last year, primarily attributable to the results achieved from cost control measures. Revenue of the developer-related value-added services reached approximately RMB390.7 million, representing a year-on-year increase of approximately 31.0%, the fast growth of which was due to the low base effect in the first half of 2020 amid the impact of the pandemic.

PROSPECTS

The Group will remain focus on its “one core and two increments” strategy aiming at “three-fold growth in three years” quality development in the second half of the year. As at the first half of 2021, the Group has initially achieved property types comprising residential buildings, office buildings, industrial parks, hospitals and schools, and gradually completed the community-related value-added services ecosystem covering community life services, community resource management, community asset management, turnkey services, facility management and catering services. Leveraging such business planning, the Group will promote healthy and rapid business growth through incentive schemes, improvement of strategic business unit structure and other incentives and management approach innovation, striving to achieve the Group's three-year strategic goals.

FINANCIAL REVIEW

Revenue

As at 30 June 2021, the revenue of the Group was approximately RMB1,877.0 million, representing an increase of approximately 53.6% from approximately RMB1,221.6 million for the corresponding period in 2020.

The revenue of the Group is derived from four segments: (i) property management services; (ii) community-related value-added services; (iii) smart community services; and (iv) developer-related value-added services.

	For the six months ended 30 June		
	2021	2020	Growth rate
	RMB'000	RMB'000	%
Revenue			
Property management services	919,700	529,793	73.6
Community-related value-added services	292,909	185,100	58.2
Smart community services	273,613	208,446	31.3
Developer-related value-added services	390,728	298,309	31.0
Total	<u>1,876,950</u>	<u>1,221,648</u>	<u>53.6</u>

- ***Property management services***

We provide residents and tenants with an extensive range of property management services, including property and facilities maintenance, security services, maintenance and cleaning services, horticulture services, public areas repair and maintenance and other property management related services.

For the six months ended 30 June 2021, revenue from property management services of the Group was approximately RMB919.7 million, accounting for approximately 49.0% of the total revenue, representing an increase of approximately 73.6% as compared with approximately RMB529.8 million for the corresponding period in 2020. The GFA under management of the Group is rapidly increasing. As at 30 June 2021, the GFA under management of the Group was approximately 122.4 million sq.m., representing a net increase of approximately 21.0 million sq.m. or approximately 20.7% from approximately 101.4 million sq.m. as at the end of 2020. The GFA under management from third parties accounted for approximately 42.8%, representing an increase of approximately 2.1 percentage points from that as at the end of 2020. During the period, the Group proactively expanded non-residential projects. As at 30 June 2021, the Group's GFA under management for non-residential projects accounted for approximately 12% of the total GFA under its management.

The following table sets forth the changes in the GFA under management of the Group:

	For the six months ended 30 June 2021					For the year ended 31 December 2020		
	GFA under management <i>thousand sq.m.</i>	Area proportion <i>%</i>	Percentage of revenue from property management services <i>%</i>	Net increase <i>thousand sq.m.</i>	Growth rate <i>%</i>	GFA under management <i>thousand sq.m.</i>	Area proportion <i>%</i>	Percentage of revenue from property management services <i>%</i>
Seazen Group	70,004	57.2	67.5	9,852	16.4	60,152	59.3	72.2
Third parties	52,372	42.8	32.5	11,109	26.9	41,263	40.7	27.8
Total	<u>122,376</u>	<u>100.0</u>	<u>100.0</u>	<u>20,961</u>	<u>20.7</u>	<u>101,415</u>	<u>100.0</u>	<u>100.0</u>

The following table sets forth the breakdown of changes in the GFA under management of the Group during the period:

	For the six months ended 30 June	
	2021 GFA under management <i>thousand sq.m.</i>	2020 GFA under management <i>thousand sq.m.</i>
At beginning of period	101,415	60,152
Handover	22,744	13,375
<i>Including</i>		
<i>Handover – Seazen Group</i>	9,948	3,543
<i>Handover – third parties</i>	12,796	9,832
Terminations	<u>1,783</u>	<u>2,307</u>
At end of period	<u>122,376</u>	<u>71,220</u>

The following table sets forth the regional distribution of the GFA under management of the Group:

	As at or for the six months ended 30 June 2021		As at or for the year ended 31 December 2020	
	Percentage of GFA under management %	Percentage of revenue from property management services %	Percentage of GFA under management %	Percentage of revenue from property management services %
Jiangsu Province	39.8	42.2	45.5	49.7
Zhejiang Province	11.6	11.7	11.1	13.3
Shandong Province	10.2	5.1	5.2	3.2
Sichuan Province	6.1	5.8	7.3	6.6
Liaoning Province	5.1	2.6	5.1	1.3
Other regions	27.2	32.6	25.8	25.9
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The contracted GFA of the Group was approximately 250.1 million sq.m., representing a net increase of approximately 47.0 million sq.m. or approximately 23.1% from that as at the end of 2020. The contracted GFA from third parties accounted for approximately 34.7%, representing an increase of approximately 2.7 percentage points from that as at the end of 2020. During the period, the Group obtained third-party projects of approximately 13.1 million sq.m. through direct expansion means such as tendering and bidding, representing a significant increase compared with that in the first half of 2020. The Group completed the mergers and acquisitions of three property management enterprises in the first half of the year, which enhanced our service ability in non-residential segments such as schools and hospitals. At the same time, these enterprises have also further enhanced the Group's project density in Shandong Province and Zhejiang Province.

The following table sets forth the changes in the contracted GFA of the Group:

	For the six months ended 30 June 2021				For the year ended 31 December 2020	
	Contracted GFA <i>thousand sq.m.</i>	Area proportion %	Net increase <i>thousand sq.m.</i>	Growth rate %	Contracted GFA <i>thousand sq.m.</i>	Area proportion %
Seazen Group	163,433	65.3	25,239	18.3	138,194	68.0%
Third parties	86,665	34.7	21,721	33.4	64,944	32.0%
Total	<u>250,098</u>	<u>100.0</u>	<u>46,960</u>	<u>23.1</u>	<u>203,138</u>	<u>100.0%</u>

The following table sets forth the regional distribution of the contracted GFA of the Group during the period:

	As at 30 June 2021 Percentage of contracted GFA %	As at 31 December 2020 Percentage of contracted GFA %
Jiangsu Province	31.5	35.2
Zhejiang Province	10.1	9.7
Shandong Province	9.8	7.0
Hubei Province	5.0	4.1
Anhui Province	4.3	5.1
Sichuan Province	4.2	4.9
Other regions	35.1	34.0
Total	<u>100.0</u>	<u>100.0</u>

By province and municipality directly under the central government, the top three regions with the largest contracted GFA of the Group are currently Jiangsu Province, Zhejiang Province and Shandong Province, with contracted GFA of approximately 78.8 million sq.m., approximately 25.3 million sq.m. and approximately 24.6 million sq.m. respectively. In recent years, the Group has been committed to balancing national presence and increasing the number and density of projects in key regions. In addition to Jiangsu Province, Zhejiang Province and Shandong Province, the contracted GFA of Hubei Province, Anhui Province and Sichuan Province have all surpassed 10.0 million sq.m..

- ***Community-related value-added services***

We render public resources management services, facility management services, extensive decoration services, asset management services, catering services and various other home living services to property owners and customers, with a view to providing them with a more comfortable and convenient living and working environment.

For the six months ended 30 June 2021, revenue from community-related value-added services of the Group was approximately RMB292.9 million, accounting for approximately 15.6% of the total revenue of the Group, representing an increase of approximately 58.2% as compared with approximately RMB185.1 million for the corresponding period in 2020.

During the period, the Group's new business initiatives recorded a sound growth, of which the revenue from catering services was approximately RMB40.5 million, representing a year-on-year increase of approximately 353.2%; the revenue related to facility management services was approximately RMB56.7 million, representing a year-on-year increase of approximately 78.6%; the revenue from community retail and convenience services was approximately RMB57.2 million, representing a year-on-year increase of approximately 161.0%.

- **Smart community services**

Smart community services mainly provide one-stop smart solutions for various projects, covering residential properties, office buildings and complexes.

During the period, revenue from smart community services of the Group was approximately RMB273.6 million, accounting for approximately 14.6% of the total revenue of the Group, representing an increase of approximately 31.3% as compared with approximately RMB208.4 million for the corresponding period in 2020. In the first half of the year, of the Group's newly signed smart community contracts, approximately 23.1% were from third parties.

- **Developer-related value-added services**

We mainly provide three types of developer-related value-added services, namely on-site sale assistance services, consulting services and house inspection services.

During the period, revenue from developer-related value-added services was approximately RMB390.7 million, accounting for approximately 20.8% of the total revenue of the Group, representing an increase of approximately 31.0% as compared with approximately RMB298.3 million for the corresponding period in 2020.

Cost of sales and services

During the period, the cost of sales and services of the Group was approximately RMB1,302.3 million, representing an increase of approximately 51.9% from approximately RMB857.5 million for the corresponding period in 2020. The increase in cost of sales and services was mainly due to the rapid growth of the business scale of the Group.

Gross profit and gross profit margin

	For the six months ended 30 June 2021				For the six months ended 30 June 2020		
	Gross profit <i>RMB'000</i>	Gross profit margin %	Percentage of gross profit %	Change in gross profit margin <i>ppt</i>	Gross profit <i>RMB'000</i>	Gross profit margin %	Percentage of gross profit %
Property management services	284,264	30.9	49.5	-1.1	169,714	32.0	46.6
Community-related							
value-added services	132,422	45.2	23.0	2.5	78,959	42.7	21.7
Smart community services	43,860	16.0	7.6	1.1	31,056	14.9	8.5
Developer-related							
value-added services	114,103	29.2	19.9	0.9	84,415	28.3	23.2
Total	<u>574,649</u>	<u>30.6</u>	<u>100.0</u>	<u>0.8</u>	<u>364,144</u>	<u>29.8</u>	<u>100.0</u>

For the six months ended 30 June 2021, the gross profit of the Group was approximately RMB574.6 million, representing an increase of approximately 57.8% from approximately RMB364.1 million for the corresponding period in 2020. Gross profit margin was 30.6%, representing an increase of 0.8 percentage point as compared with 29.8% for the corresponding period in 2020.

Gross profit of property management services was approximately RMB284.3 million, representing an increase of approximately 67.5% as compared with approximately RMB169.7 million for the corresponding period in 2020, and gross profit margin was 30.9%, representing a year-on-year decrease of 1.1 percentage points. The decline in gross profit margin of property management services during the period was mainly due to the benefits from social security subsidies policies last year causing a higher base for the corresponding period.

Gross profit of community-related value-added services was approximately RMB132.4 million, representing an increase of approximately 67.7% as compared with approximately RMB79.0 million for the corresponding period in 2020, and gross profit margin was 45.2%, representing a year-on-year increase of 2.5 percentage points. The increase in gross profit margin was mainly due to: (i) the rapid growth in the revenue from public resources management services with high gross profit margin; and (ii) the increase in the gross profit margin of community retail and convenience services.

Gross profit of smart community services was approximately RMB43.9 million, representing an increase of approximately 41.2% as compared with approximately RMB31.1 million for the corresponding period in 2020, and gross profit margin increased by 1.1 percentage points to 16.0% from 14.9% for the corresponding period in 2020.

Gross profit of developer-related value-added services was approximately RMB114.1 million, representing an increase of approximately 35.2% as compared with approximately RMB84.4 million for the corresponding period in 2020, and gross profit margin increased by 0.9 percentage point to 29.2% from 28.3% for the corresponding period in 2020.

Administrative expenses

Administrative expenses were approximately RMB169.7 million, representing an increase of approximately 57.4% from approximately RMB107.8 million for the corresponding period in 2020. The increase in administrative expenses was mainly due to: (i) the rapid growth of the scale of the Group; and (ii) the increase in equity incentives granted to employees.

Other gains/(losses)

During the period, other losses of the Group amounted to approximately RMB17.6 million as compared with other gains of approximately RMB5.2 million for the corresponding period in 2020. The losses for the period was due to the fluctuation of exchange rates.

Income tax expense

During the period, income tax amounted to approximately RMB76.4 million, representing an increase of approximately 26.5% as compared with approximately RMB60.4 million for the corresponding period in 2020. The increase in tax expense was mainly due to the continuous growth of the Group's profit before income tax. The tax rate was approximately 20.1%, which was slightly lower as compared with approximately 22.7% for the corresponding period in 2020.

Under the rules and regulations of the Cayman Islands, the Group is exempt from income tax in the Cayman Islands.

For the group entities incorporated in Hong Kong, as the Group did not derive any revenue subject to Hong Kong profits tax for the six months ended 30 June 2021, the Group did not make provision for Hong Kong profits tax accordingly.

Profit for the period

Profit for the period of the Group was approximately RMB304.1 million, representing an increase of approximately 48.0% from approximately RMB205.5 million for the corresponding period in 2020; profit attributable to owners of the Company was approximately RMB286.4 million, representing an increase of approximately 51.6% as compared with that for the corresponding period in 2020; and net profit margin was approximately 16.2%, representing a year-on-year decrease of 0.6 percentage point.

Material Acquisition and Disposal

Connected transaction – acquisition of assets

On 8 February 2021, Nanjing Yungui Network Technology Co., Ltd.* (南京雲櫃網絡科技有限公司), a subsidiary of the Company, entered into an asset acquisition agreement with Jiangsu Yungui Network Technology Co., Ltd.* (江蘇雲櫃網絡技術有限公司), a subsidiary of Seazen Group, and agreed to acquire the assets (including courier lockers and their spare parts inventory and intangible assets relating to courier lockers) at a consideration of RMB32,931,300. For details of the acquisition, please refer to the announcement of the Company dated 8 February 2021.

Significant Investments

As at 30 June 2021, the Group held financial assets at fair value through profit or loss of approximately RMB369.3 million, accounting for approximately 7.6% of the total assets of the Group as at 30 June 2021. Such financial assets include investment holdings in various wealth management products of banks and unlisted trust plans, as well as investments in listed bonds denominated in US Dollars. The financial assets held by the Group are of low risk and stable return, and we will continue to maintain such investment style and improve our capital efficiency in the future. The Board considers any single investments with fair value accounting for more than 5% of the total assets of the Group as significant investments. As the Group did not have any single investments accounting for 5% or more of the total assets of the Group as at 30 June 2021, the Group did not have any significant investments.

Financial assets at fair value through profit or loss held by the Group as at 30 June 2021

Nature of investment	As at 30 June 2021		For the six months ended 30 June 2021	
	Fair value <i>RMB'000</i>	Approximate percentage of the total assets of the Group %	Fair value gains/ (losses) <i>RMB'000</i>	Interest income <i>RMB'000</i>
Financial assets at fair value through profit or loss				
Wealth management products	—	—	—	3,850
Trust products	27,210	0.6	—	3,305
Listed bonds denominated in US Dollars	342,109	7.0	(6,946)	11,087
Total	<u>369,319</u>	<u>7.6</u>	<u>(6,946)</u>	<u>18,242</u>

Pledge of Assets

As at 30 June 2021, the Group did not pledge any assets.

Foreign Exchange Risk

As at 30 June 2021, the cash balances held by the Group are as follows:

	As at 30 June 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
USD	242,725	28,644
RMB	1,888,114	1,830,031
HKD	<u>511,854</u>	<u>23,461</u>
Total	<u>2,642,693</u>	<u>1,882,136</u>

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in Renminbi. The Group is exposed to foreign currency risk arising from the exposure of U.S. dollars and Hong Kong dollars against Renminbi as a result of certain cash balances. We will closely monitor the fluctuations of exchange rates and give prudent consideration as whether to enter into any currency swap arrangement as and when appropriate to hedge corresponding risks.

PROCEEDS FROM LISTING

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 November 2018 with the issue of 220,000,000 new shares (including the issue of 20,000,000 new shares upon the partial exercise at the over-allotment option), with total net proceeds of approximately RMB538.4 million from the listing after deducting underwriting fees and related expenses.

As at 30 June 2021, the proceeds from listing have been fully utilised in accordance with the plans as disclosed in the section headed “Future Plans and Use of Proceeds – Use of Proceeds” of the prospectus of the Company dated 24 October 2018, namely:

Item	Percentage	Net proceeds (RMB million)	Used	Unused
		Available		
Acquisition of property management projects	60%	323.0	323.0	–
Expansion of value-added services	15%	80.8	80.8	–
Investment in advanced technology and employees	15%	80.8	80.8	–
Working capital and general corporate purposes	10%	53.8	53.8	–

Placing

On 16 March 2021, the Company and Citigroup Global Markets Limited and CLSA Limited (the “**Placing Agents**”) entered into a placing agreement, pursuant to which the Placing Agents agreed on an individual (rather than joint nor joint and individual) basis to place up to 50,000,000 new ordinary shares (“**Placing Shares**”) on a best efforts basis at a price of HK\$20.80 per share (the “**Placing**”). The aggregate nominal value of the Placing Shares is US\$500,000, while the net placing price (after deducting related costs and expenses to be borne by the Company) is approximately HK\$20.64 per share. The Directors are of the view that the Placing Shares will raise funds to consolidate the financial position of the Group, provide a good opportunity to broaden the shareholder base and capital base of the Group to facilitate future development, and increase the liquidity of the shares.

The Placing Shares were completed on 23 March 2021. A total of 50,000,000 Placing Shares were successfully placed to not less than six placees at a placing price of HK\$20.80 per Placing Share. The Company has received the net proceeds from the Placing Shares of approximately HK\$1,032 million (equivalent to approximately RMB864.3 million) (after deducting the relevant costs and expenses to be borne by the Company). As at 30 June 2021, the Company has utilised the net proceeds in accordance with the plans as disclosed in the announcement of the Company dated 17 March 2021, namely:

Item	Percentage	Net proceeds (RMB million)		Unused	Expected time of using unused proceeds
		Available	Used		
Acquisition of property management companies	60%	518.6	19.4	499.2	On or before 31 December 2023
Acquisition of downstream companies that are complementary to the Company's community value-added service business	30%	259.3	2.5	256.8	On or before 31 December 2023
Upgrade information technology infrastructure	10%	86.4	3.2	83.2	On or before 31 December 2023

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2021.

SUBSEQUENT EVENT

Connected Transaction – Formation of Joint Venture Company

On 9 August 2021, Xinchengyue (Chengdu) Property Service Co., Ltd* (新城悅(成都)物業有限公司) (a subsidiary of the Group), Wusheng (Shanghai) Energy Equipment Technology Co., Ltd.* (吾盛(上海)能源設備科技有限公司) (an associate of Mr. Wang and a connected person of the Company), and GCIP Chunshu Investment Partnership (Limited Partnership)* (共青城春樹投資合夥企業(有限合夥)) entered into a cooperation investment agreement in which the Company will invest RMB8 million for the purpose of developing applications in automobile and bicycle charging scenarios based on urban space. For details of the formation of the joint venture company, please refer to the announcement of the Company dated 9 August 2021.

CHANGES IN INFORMATION ON DIRECTORS

On 5 July 2021, Mr. Lan Ziyong resigned as executive Director and ceased to be a member of the environmental, social and governance committee of the Company due to work arrangements and Mr. Gao Xinli was appointed as an executive Director and a member of the environmental, social and governance committee of the Company on the same date. For details of the change in executive Director, please refer to the announcement of the Company dated 5 July 2021.

CHANGES IN INFORMATION ON JOINT COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

On 5 July 2021, Ms. Lam Yuk Ling resigned as a joint company secretary and an authorised representative of the Company due to other work arrangements and Ms. Ng Sau Mei was appointed as a joint company secretary and an authorized representative of the Company on the same date. For details of the change in joint company secretary, please refer to the announcement of the Company dated 5 July 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. Save as disclosed herein, the Company has complied with all applicable code provisions as set out in the CG Code during the six months ended 30 June 2021. The Company will continue to review and enhance its corporate governance practices to ensure the compliance with the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Mr. Qi Xiaoming, the chairman and chief executive officer of the Company, is responsible for the overall management of the Group and guides the Group’s strategic development and business plans. Considering the Group’s current development status, the Board believes that the structure of the same person holding the two positions of chairman and chief executive officer can provide the Company with a strong and consistent leadership and benefit the implementation and execution of the Group’s business strategies. Nonetheless, we will review the structure from time to time based on the circumstances at that time. The Board will continue to evaluate relevant situations and separate the two roles of chairman and chief executive officer at a proper time taking into account the Group’s overall status.

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 a code of conduct regarding Directors’ securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the six months ended 30 June 2021.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2021.

SHARE OPTIONS

In order to provide incentives or rewards to the Directors and certain employees of the Company for their contributions to the Group, the Company adopted a share option scheme (the “**Share Option Scheme**”) on 20 October 2018. During the six months ended 30 June 2021, the Company did not grant any share options under the Share Option Scheme.

SHARE AWARD SCHEME

The Company adopted a share award scheme with effect from 15 November 2019 (the “**Share Award Scheme**”), to recognise the contribution of certain employees and to provide incentives for them to continuously make greater contributions for the Group’s long-term growth in the future, details of which are set out in the announcement of the Company dated 15 November 2019. Accordingly, the Company will entrust the trustee of the Share Award Scheme to purchase existing shares in the open market based on the overall remuneration incentive plan. The said trustee will

hold such shares on behalf of certain employees on trust, until such shares are vested with them. The aggregated maximum number of shares underlying all grants made pursuant to the Share Award Scheme (excluding share awards that have been forfeited in accordance with the Share Award Scheme) must not exceed 1.25% of the total issued share capital of the Company as at 15 November 2019. The Share Award Scheme was amended on 1 July 2021, and an adjustment was made so that the aggregated maximum number of shares underlying all grants made pursuant to the Share Award Scheme (excluding share awards that have been forfeited in accordance with the Share Award Scheme) must not exceed 2.0% of the total issued share capital of the Company as at 1 July 2021.

The Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. During the six months ended 30 June 2021, the Company did not grant any share awards under the Share Award Scheme.

AUDIT COMMITTEE

The Board has set up an audit committee (the “**Audit Committee**”) with members including Mr. Lu Zhongming, a non-executive Director, and Ms. Zhang Yan and Mr. Zhu Wei, two independent non-executive Directors. Ms. Zhang Yan is the chairman of the Audit Committee. The primary responsibility of the Audit Committee is to review and oversee the financial reporting system, risk management and internal control of the Company.

The Audit Committee, together with the management, has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS AND 2021 INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.xinchengyue.com), and the interim report of the Company for the six months ended 30 June 2021 containing all information required by the Listing Rules will be dispatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
S-Enjoy Service Group Co., Limited
Qi Xiaoming
Chairman
Executive Director
Chief Executive Office

Hong Kong, 20 August 2021

As at the date of this announcement, the Board comprises Mr. Qi Xiaoming, Ms. Wu Qianqian and Mr. Gao Xinli as executive Directors, Mr. Wang Xiaosong, Mr. Lv Xiaoping and Mr. Lu Zhongming as non-executive Directors, and Ms. Zhang Yan, Mr. Zhu Wei and Mr. Xu Xinmin as independent non-executive Directors.

* For identification purpose only