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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 2020

FINANCIAL HIGHLIGHTS

- As of 30 June 2020, the Group's revenue was approximately RMB1,221.6 million, representing an increase of approximately 42.7% from approximately RMB856.3 million for the corresponding period in 2019.
- As of 30 June 2020, the Group's revenue from property management services amounted to approximately RMB529.8 million, an increase of approximately 33.3% as compared to approximately RMB397.5 million in the corresponding period in 2019, accounting for approximately 43.3% of the revenue in the first half of 2020; revenue from developer-related value-added services was approximately RMB298.3 million, an increase of approximately 8.8% as compared to approximately RMB274.2 million in the corresponding period in 2019, accounting for approximately 24.4% of revenue in the first half of 2020; revenue from community-related value-added services recorded a relatively rapid growth during the period to approximately RMB185.1 million, an increase of approximately 94.7% as compared to approximately RMB95.0 million for the corresponding period in 2019, accounting for approximately 15.2% of the revenue in the first half of 2020; and revenue from smart community services also recorded rapid growth to approximately RMB208.4 million for the period, an increase of approximately 133.0% as compared to approximately RMB89.5 million for the corresponding period in 2019, accounting for approximately 17.1% of the revenue in the first half of 2020.
- As of 30 June 2020, gross profit of the Group amounted to approximately RMB364.1 million, representing an increase of approximately 45.7% as compared to approximately RMB249.9 million for the corresponding period in 2019. Gross profit margin increased by 0.6 percentage point to approximately 29.8% from approximately 29.2% for the corresponding period in 2019. The increase in gross profit margin was mainly due to the increase in gross profit margin of property management services.
- The Group's profit for the period was approximately RMB205.5 million, representing an increase of approximately 65.6% as compared to approximately RMB124.1 million for the corresponding period in 2019. Profit attributable to owners of the Company was approximately RMB188.9 million, representing an increase of approximately 61.1%, as compared to approximately RMB 117.2 million for the corresponding period in 2019. Net profit margin was approximately 16.8%, up 2.3 percentage points over that for the corresponding period of 2019.

- As at 30 June 2020, the GFA under management of the Group was approximately 71.2 million sq.m., representing a net increase of approximately 11.0 million sq.m. or approximately 18.3% as compared to approximately 60.2 million sq.m. at the end of 2019.

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 2020 (the “**Reporting Period**”), together with the comparative figures for the corresponding period of 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
	Note		
Revenue	5	1,221,648	856,251
Cost of sales and services	5,6	(857,504)	(606,350)
Gross profit		364,144	249,901
Selling and marketing expenses	6	(9,700)	(3,936)
Administrative expenses	6	(107,849)	(88,081)
Net impairment losses on financial assets		(19,793)	(12,883)
Other income		24,572	9,787
Other expenses		(2,345)	(404)
Other gains/(losses) – net		5,208	(3,574)
Operating profit		254,237	150,810
Finance income	7	11,830	10,262
Finance cost		(171)	(176)
Finance income – net		11,659	10,086
Profit before income tax		265,896	160,896
Income tax expense	8	(60,376)	(36,795)
Profit for the period		205,520	124,101
Profit for the period is attributable to:			
– Owners of the Company		188,931	117,245
– Non-controlling interests		16,589	6,856
		205,520	124,101
Total comprehensive income for the period		205,520	124,101
Total comprehensive income for the period is attributable to:			
– Owners of the Company		188,931	117,245
– Non-controlling interests		16,589	6,856
		205,520	124,101
Earnings per share(expressed in RMB per share)			
– Basic earnings per share	9	0.23	0.14
– Diluted earnings per share	9	0.23	0.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Note</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Assets			
Non-current assets			
Property, plant and equipment		11,830	8,952
Right-of-use assets		10,413	11,427
Intangible assets	<i>10</i>	128,884	11,651
Deferred income tax assets		20,162	40,372
Deposits	<i>12</i>	11,811	3,534
Financial assets at fair value through other comprehensive income		1,000	1,660
Financial asset at fair value through profit or loss		70,000	70,000
Total non-current assets		254,100	147,596
Current assets			
Inventories		18,710	10,620
Contract assets		247,305	130,819
Financial assets at fair value through profit or loss		198,680	208,412
Trade receivables	<i>11</i>	407,903	262,767
Prepayments, deposits and other receivables	<i>12</i>	174,026	100,261
Cash and cash equivalents		1,269,384	1,339,092
Total current assets		2,316,008	2,051,971
Total assets		2,570,108	2,199,567
Equity			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	56,508	56,508
Reserves		260,352	397,724
Retained earnings		658,958	469,840
		975,818	924,072
Non- controlling interests		86,193	42,798
Total equity		1,062,011	966,870

	<i>Note</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		2,384	3,873
Provisions		716	394
Deferred tax liabilities		26,940	13,428
Total non-current liabilities		30,040	17,695
Current liabilities			
Lease liabilities		4,686	3,827
Contract liabilities		453,359	390,342
Trade and other payables	<i>14</i>	843,186	773,760
Current income tax liabilities		29,568	47,073
Dividend Payable		147,258	—
Total current liabilities		1,478,057	1,215,002
Total liabilities		1,508,097	1,232,697
Total equity and liabilities		2,570,108	2,199,567
Net current assets		837,951	836,969

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, Uglan 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 statements are 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 12 August 2020.

These condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have 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 statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2019, 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 2020, the accounting policies adopted are consistent with those of the 2019 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 2020

Amendments to HKFRS 3 – Regarding definition of a business
Amendments to HKAS 1 and HKAS 8 – Regarding definition of material
Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Regarding interest rate benchmark reform

The adoption of the above new standard, amendments and interpretation starting from 1 January 2020 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 2020.

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 2020 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 2020, the Group was principally engaged in the provision of property management services and value-added services, including property 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 off the Group's revenue was derived in the PRC during the six months ended 30 June 2020.

As at 30 June 2020 and 31 December 2019, 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 2020 and 2019 is as follows:

	Six months ended 30 June			
	2020 RMB'000 (Unaudited)		2019 RMB'000 (Unaudited)	
	Revenue	Cost of sales and services	Revenue	Cost of sales and services
Revenue from customers and recognised over time:				
Property management Services	529,793	360,079	397,535	285,766
Value added services:				
– Property developer-related services	298,309	213,894	274,210	206,052
– Community-related services	77,097	26,365	55,504	20,691
– Smart community services	208,446	177,390	89,458	77,414
	<u>1,113,645</u>	<u>777,728</u>	<u>816,707</u>	<u>589,923</u>
Revenue from customers recognised at a point in time				
Value added services:				
– Community-related services	108,003	79,776	39,544	16,427
	<u>1,221,648</u>	<u>857,504</u>	<u>856,251</u>	<u>606,350</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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Employee benefit expenses	302,022	251,289
Raw material and components used in property management services, smart community services and community-related services	298,334	115,522
Outsourced security, greening and cleaning costs	289,840	265,701
Utilities	30,875	21,961
Office expenses	10,219	6,360
Travelling expenses	10,091	7,183
Professional fees	8,629	8,639
Taxes and surcharges	5,821	6,091
Depreciation and amortization charges	5,732	4,853
Business entertainment expenses	3,159	2,706
Employee uniform and related expenses	3,099	2,533
Bank charges	2,394	2,336
Advertising & promotion expenses	1,504	579
Operating lease payments	131	133
Others	3,203	2,481
	<u>975,053</u>	<u>698,367</u>

7 FINANCE INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income on cash and cash equivalents	<u>11,830</u>	<u>10,262</u>

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax		
– PRC Corporate income tax	34,434	36,615
Deferred income tax		
– PRC Corporate income tax	<u>25,942</u>	<u>180</u>
	<u>60,376</u>	<u>36,795</u>

(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) Hong Kong profit 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 2020 and 2019.

(c) 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.

The corporate income tax rate applicable to the entities located in Mainland China out of Tibet Autonomous Region 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. For six months ended 30 June 2020, the Group made a provision for PRC withholding tax with amount of RMB5,858,000 (2019: RMB3,835,000) based on the tax rate of 10% on a estimated portion 30% of the earnings generated by its PRC entities. The Group controls the dividend policies of these subsidiaries and it has been determined that it is probable that a majority of these earnings will not be distributed in the foreseeable future.

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the six months ended 30 June 2020 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 (Unaudited) 2020	(Unaudited) 2019
Earnings:		
Profit attributable to owners of the Company used in the basic earnings per share calculation (RMB'000)	188,931	117,245
Number of shares:		
Weighted average number of ordinary shares in issue during the period basic earnings per share calculation (in thousand)	818,100	820,000
Basic earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB)	0.23	0.14

(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 has one category of dilutive potential ordinary shares: share options. The share options are assumed to have been converted into ordinary shares.

	Six months ended 30 June	
	(Unaudited)	(Unaudited)
	2020	2019
Earnings:		
Profit attributable to owners of the Company used in the diluted earnings per share calculation (RMB' 000)	188,931	117,245
Number of shares:		
Weighted average number of ordinary shares in issue during the period per share calculation (in thousand)	818,100	820,000
Add: share options (in thousand)	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)	829,078	820,000
Diluted earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB)	0.23	0.14

10 INTANGIBLE ASSETS

	Computer software RMB'000	Licenses RMB'000	Goodwill RMB'000 (ii)	Trademark RMB'000 (i)	Customer relationships RMB'000 (i)	Total RMB'000
As at 1 January 2020 (Unaudited)						
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 (Note 16)	–	–	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 (Unaudited)						
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
As at 1 January 2019 (Unaudited)						
Cost	6,552	84	6,585	–	–	13,221
Accumulated amortisation	(1,172)	(18)	–	–	–	(1,190)
Net book amount	5,380	66	6,585	–	–	12,031
Six months ended 30 June 2019						
Opening net book amount	5,380	66	6,585	–	–	12,031
Amortisation	(446)	(4)	–	–	–	(450)
Closing net book amount	4,934	62	6,585	–	–	11,581
As at 30 June 2019 (Unaudited)						
Cost	6,552	84	6,585	–	–	13,221
Accumulated amortisation	(1,618)	(22)	–	–	–	(1,640)
Net book amount	4,934	62	6,585	–	–	11,651

- (i) A valuation was performed by an independent valuer to determine the fair value of the identified trademark and customer relationships. The valuation method used is income approach. The key assumptions in determining the fair value of trade mark and customer relationships are disclosed as follows:

Gross profit margin (% of revenue)	15%
Earnings before interest, taxes, depreciation and amortisation margins	0-10%
Post-tax discount rate	17%

- (ii) Impairment tests for goodwill are as follows:

Goodwill of the Group was allocated to the following CGUs:

Goodwill-	Amount (Unaudited) RMB'000
Hangzhou Wan Yue Property Management Co.,Ltd. ("Hangzhou Wan Yue")	6,585
Chengyue Times	64,137
	<u>70,722</u>

Management performed an impairment assessment on the goodwill as at balance sheet date. The recoverable amounts of these subsidiaries are determined based on value-in-use calculations.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	Hangzhou Wan Yue	Chengyue Times
Revenue growth of the first year hereafter (% annual growth rate)	3%	15%
Revenue growth from the second year to fourth year hereafter (% annual growth rate)	3%	0-10%
Gross margin (% of revenue)	10-15%	10-15%
Pre-tax discount rate	18%	18%

Based on management's assessment on the recoverable amounts of the subsidiaries acquired, no impairment provision was considered necessary as at 30 June 2020.

11 TRADE RECEIVABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables (<i>Note (a)</i>)		
– Related parties	178,859	165,481
– Third parties	285,887	138,449
	464,746	303,930
Less: allowance for impairment of trade receivables	(56,843)	(41,163)
	407,903	262,767

- (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 2020 and 31 December 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 1 year	391,510	246,799
1 to 2 years	35,444	26,175
2 to 3 years	16,029	12,143
3 to 4 years	8,061	7,763
4 to 5 years	6,309	2,754
Over 5 years	7,393	8,296
	464,746	303,930

As at 30 June 2020 and 31 December 2019, 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 2020 and 31 December 2019, no trade receivables of the Group was pledged to secure borrowings granted to the Group.

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)		31 December 2019 RMB'000 (Audited)	
	Current	Non-current	Current	Non-current
Prepayments				
– Utilities and outsourced services	37,344	–	37,219	–
– raw materials for smart community services	6,877	–	3,375	–
Subtotal	44,221	–	40,594	–
Input VAT to be deducted	965	–	4,010	–
Deposits	95,424	11,930	26,016	3,570
Other receivables				
– Related parties	2,573	–	–	–
– Payments on behalf of property owners (<i>Note</i>)	45,156	–	32,792	–
– Others	7,666	–	9,697	–
Subtotal	55,395	–	42,489	–
Total	196,005	11,930	113,109	3,570
Less: allowance for impairment of other receivables and deposits	(21,979)	(119)	(12,848)	(36)
	<u>174,026</u>	<u>11,811</u>	<u>100,261</u>	<u>3,534</u>

Note: As at 30 June 2020 and 31 December 2019, 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 2020 and 31 December 2019, 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 2020, 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
As at 1 January 2020 and 30 June 2020 (Unaudited)	818,100,000	8,181	56,508

14 TRADE AND OTHER PAYABLES

	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Trade payables (<i>Note (a)</i>)		
– Third parties	272,667	254,192
Other payables		
– Accrued expenses	26,494	43,328
– Amounts collected on behalf of property owners	384,741	301,852
– Payables for acquisition of a subsidiary (<i>Note 16</i>)	5,227	–
– Others	8,979	8,347
	425,441	353,527
Accrued payroll	110,161	137,752
Other tax payables	34,917	28,289
	843,186	773,760

(a) At 30 June 2020 and 31 December 2019, the ageing analysis of the trade payables based on invoice date were as follows:

	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Within 1 year	270,166	252,864
1 to 2 years	1,740	722
2 to 3 years	172	241
Over 3 years	589	365
	272,667	254,192

(b) At 31 December 2019 and 30 June 2020, trade and other payables were denominated in RMB.

15 DIVIDENDS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends	147,258	82,000

A final dividend in respect of 2019 of RMB0.18 per ordinary share, amounting to RMB147,258,000 was approved at the annual general meeting of the Company held on 18 June 2020. The dividend is reflected as an appropriation of share premium. As of 30 June 2020, the dividend had not been paid.

16 BUSINESS COMBINATION

In May 2020, the Company acquired 61.5% of the equity interest in Chengyue Times at the consideration of RMB104,550,000. Chengyue Times 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:

	(Unaudited) RMB'000
Purchase consideration	
Cash payment	104,550
– Settled as at 30 June 2020	99,323
– Outstanding as at 30 June 2020	5,227
Total purchase consideration	104,550

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

	(Unaudited) RMB'000
Cash and cash equivalents	15,817
Trade receivables	33,379
Financial asset at fair value through profit or loss	11,250
Prepayments, deposits and other receivables	37,779
Inventories	653
Property, plant and equipment	1,844
Intangible assets (Note 10)	51,104
Payables and other payables	(65,703)
Contract liabilities	(11,137)
Net deferred tax liabilities	(7,780)
	67,206
Less: non-controlling interest	(26,793)
Add: goodwill (Note 10)	64,137
	104,550

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2020, the global economy suffered a large-scale recession due to the outbreak of COVID-19. As of now, the outbreak of the epidemic is still spreading and the hopes of the epidemic coming to an end remains uncertain. In mainland China, the epidemic was contained in March 2020 and the daily life of residents has resumed to normal. However, as Europe and the United States have not fully lifted the restrictions, the economic outlook on the exports of mainland China remains gloomy. In contrast, the property management industry has maintained a relatively faster growth as they benefit from the certainty of new GFA delivered in the real estate industry. In addition, the social insurance relief policy across China and subsidy policies for the property management industry introduced by some local governments have alleviated the pressure on the profitability for the property management industry brought by the substantial increase in labor costs during prevention and control of the epidemic. COVID-19 is undoubtedly a challenge and also an opportunity for the property management industry. After the outbreak of the epidemic, most residents recognized the importance of the provision of dedicated management by property service providers; the municipal government authorities recognized the necessity of full cooperation of strong property management employees; and the policy makers gradually attached importance to the property management industry as an important part of its municipal governance system.

GROUP REVIEW

With the rapid growth of the GFA under management of the Group, the scale of our revenue and profit has also maintained rapid growth. The Group also gained further recognition in the industry. For the six months ended 30 June 2020, we were awarded the Top 100 Property Management Service Companies in terms of growth in 2020, and we ranked 11th in the Consolidated Ranking of China's Property Management Service in 2020.

In addition to the rapid growth in scale, the business structure of the Company has also been gradually optimized. In the first half of 2020, revenue of the Company amounted to approximately RMB1,221.6 million, representing a period-on-period growth of approximately 42.7%, among which, percentage of revenue contribution from community-related value-added services exceeded 15% for the first time to approximately RMB185.1 million. In addition, revenue from the Company's smart community services recorded a period-on-period growth of approximately 133.0%.

In the first half of 2020, the Company steadily pushed ahead the “one core and two increments” strategy. With respect to one core (i.e. the “**property management services**”), the Company effectively improved the response and timeliness of services through its development of smart platform and provision of butler services by way of grid management. Through the “excel arena” mechanism whereby each project management team will compare its service quality on an open platform and publish its results regularly, the Company effectively boosted the motivation of its project management team. The Company introduced the “project partner” mechanism to directly correlate the income of the project management team with the performance of the project. With respect to one of the “increments”, the value-added services (i.e. “**community-related value-added services**”), the Company launched the sales of community fresh products and community retail services to meet the needs of property owners during the epidemic, which was well appreciated by property owners. The headquarters of the Company also developed more new businesses targeting at advanced communities with great potential, and encouraged regional companies to provide more value-added services based on their own characteristics. With respect to the other “increment”, the expansion (i.e. “**third parties project expansion/mergers and acquisitions**”), the Company has set clear project expansion strategy and allocated manpower accordingly. With clear strategy comes good results. In the first half of this year, the new contracted GFA of third parties of approximately 12.5 million sq.m. (including mergers and acquisitions) already exceeded that of the entire last year. In May 2020, the Company completed the acquisition of Chengdu Chengyue Times Property Services Ltd* (成都誠悅時代物業服務有限公司) (“**Chengyue Times**”), which marked an important step for the Company to strategically enter the office building sector. The Company will replicate the excellent management capabilities of the office business of Chengyue Times, such as Grade A office buildings, corporate headquarters and industrial parks, as well as the ancillary catering capabilities across the whole country.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

Looking into the second half of 2020, it is expected that more new projects will be delivered as compared to the second half of 2019. We will provide property owners with an all round satisfying delivery experience, and at the same time, provide more ready-to-move-in services to facilitate property owners’ home renovation. In terms of property management services, we will further promote the smart platform and improve the ancillary management mechanism, so as to improve the satisfaction of property owners and provide butlers with a clearer career development path to improve the employee satisfaction. In terms of community-related value-added services, the Group will focus on the development of new businesses such as household services and community asset services and step up efforts in promoting catering services in office buildings. In terms of third parties project expansion, while adhering to the relatively focused strategy, the Company will focus on the new residential properties, commercial properties, public infrastructure and other business sections by means of direct project expansion, setting up joint ventures with developers and merger and acquisition. The smart community business is another key strategic direction of the Company. We hope that such business will grow into a provider of integrated solutions for smart communities and smart businesses, preparing for the cusp of “smart” business. In the first half of 2020, we secured four smart engineering projects outside of Seazen Group, including one smart commercial project on high-end shopping center in the core area of Shanghai. It is expected that more projects will be secured in the second half of the year.

FINANCIAL REVIEW

Revenue

As of 30 June 2020, the revenue of the Group amounted to approximately RMB1,221.6 million, representing an increase of approximately 42.7% from approximately RMB856.3 million for the corresponding period in 2019.

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

Revenue	For the six months ended 30 June		
	2020 RMB'000	2019 RMB'000	Growth rate %
Property management services	529,793	397,535	33.3
Developer-related value-added services	298,309	274,210	8.8
Community-related value-added services	185,100	95,048	94.7
Smart community services	208,446	89,458	133.0
Total	<u>1,221,648</u>	<u>856,251</u>	<u>42.7</u>

- ***Property management services***

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

As of 30 June 2020, revenue from property management services of the Group amounted to approximately RMB529.8 million, an increase of approximately 33.3% as compared to approximately RMB397.5 million for the corresponding period in 2019, accounting for approximately 43.3% of the revenue for the first half of 2020. As the real estate industry sees its peak in the delivery of new properties, coupled with the effectiveness of the Group's third parties expansion strategy, the GFA under management of the Group is rapidly increasing. As at 30 June 2020, the GFA under management of the Group was approximately 71.2 million sq.m., representing a net increase of approximately 11.0 million sq.m. or approximately 18.4% from approximately 60.2 million sq.m. as at the end of 2019.

As of 30 June 2020, the GFA under management of Seazen Group accounted for approximately 64.9% of the total GFA under management or approximately 46.2 million sq.m., while that of third parties accounted for approximately 35.1% of the total GFA under management or approximately 25.0 million sq.m. In the first half of the year, the Group successfully acquired Chengyue Times. As a result, the GFA under management by third parties of the Group expanded rapidly and the service capabilities of the Group in the office building segment also increased significantly.

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

	For the six months ended 30 June 2020					For the year ended 31 December 2019		
	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	46,207	64.9	75.4	3,410	8.0	42,797	71.1	77.5
Third parties	25,013	35.1	24.6	7,658	44.1	17,355	28.9	22.5
Total	<u>71,220</u>	<u>100.0</u>	<u>100</u>	<u>11,068</u>	<u>18.4</u>	<u>60,152</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	
	2020	2019
	GFA under management <i>thousand sq.m.</i>	GFA under management <i>thousand sq.m.</i>
At beginning of year	60,152	42,887
Handover	13,375	2,696
Including:		
Handover - third parties	9,832	622
Terminations	2,307	1,149
At end of period	<u>71,220</u>	<u>44,434</u>

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

Region	As of or for the six months ended 30 June 2020		As of or for the year ended 31 December 2019	
	Percentage in GFA under management %	Percentage of revenue from property management services %	Percentage in GFA under management %	Percentage of revenue from property management services %
Yangtze River Delta	72.8	76.6	80.8	83.3
Of which: Jiangsu Province	54.2	52.2	60.7	58.9
Bohai Rim	4.8	5.2	3.7	2.2
Midwest	19.8	15.8	12.5	11.5
Pearl River Delta	0.5	0.7	0.5	0.1
Other regions	2.1	1.7	2.5	2.9
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Notes: Yangtze River Delta includes: Jiangsu, Shanghai and Zhejiang
Bohai Rim includes: Shandong, Tianjin, Beijing and Hebei
Midwest includes: Anhui, Jiangxi, Hunan, Hubei, Henan, Shaanxi, Shanxi, Sichuan and Chongqing
Pearl River Delta includes: Guangdong

As at 30 June 2020, the Group had 346 projects under management in 62 prefecture-level cities across China, of which approximately 54.2% in GFA under management were located in Jiangsu Province. As a result of the successful acquisition of Chengyue Times, and the delivery of many new projects in 2019 and the first half of this year, the Group has achieved a more balanced layout across the country.

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

	For the six months ended 30 June 2020				For the year ended 31 December 2019	
	Contracted GFA thousand sq.m.	Area proportion %	Net increase thousand sq.m.	Growth rate %	Contracted GFA thousand sq.m.	Area proportion %
Seazen Group	124,002	74.2	4,589	3.8	119,413	78.2
Third parties	43,032	25.8	9,668	29.0	33,364	21.8
Total	<u>167,034</u>	<u>100.0</u>	<u>14,257</u>	<u>9.3</u>	<u>152,777</u>	<u>100.0</u>

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

Region	As of 30 June 2020 Percentage in contracted GFA %	As of 31 December 2019 Percentage in contracted GFA %
Yangtze River Delta	52.6	55.7
Of which: Jiangsu Province	39.9	42.4
Bohai Rim	10.6	10.0
Midwest	25.2	22.9
Pearl River Delta	3.2	3.5
Other regions	8.4	7.9
Total	100.0	100.0

As at 30 June 2020, the contracted GFA of the Group was approximately 167.0 million sq.m., representing a net increase of approximately 14.2 million sq.m. or approximately 9.3% from approximately 152.8 million sq.m. as at the end of 2019, of which contracted GFA of Seazen Group accounted for approximately 74.2% of the total contracted GFA or approximately 124.0 million sq.m., and that of third parties accounted for approximately 25.8% of the total contracted GFA or approximately 43.0 million sq.m. In the first half of the year, the third parties expansion strategy of the Group showed satisfactory results, and the contracted GFA of third parties through bidding and joint ventures was approximately 7.3 million sq.m., representing a period-on-period increase of approximately 135.5%.

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

We provide primarily three types of services related to property developers: sales office services, consultancy services and building inspection services.

During the period, revenue from developer-related value-added services amounted to approximately RMB298.3 million, an increase of approximately 8.8% as compared to approximately RMB274.2 million for the corresponding period in 2019, accounting for approximately 24.4% of revenue in the first half of 2020.

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

We provide public resources management services, community engineering services, extensive decoration services, asset management services, catering services and various other home living services to property owners and customers.

In the first half of the year, the community-related value-added services of the Group recorded a relatively rapid growth. Revenue for the period amounted to approximately RMB185.1 million, an increase of approximately 94.7% as compared to approximately RMB95.0 million for the corresponding period in 2019, accounting for approximately 15.2% of revenue in the first half of 2020. The Group's existing four community-related value-added services segments continued to grow in the first half of the year. The delivery of a large number of new projects generated tremendous business opportunities for our businesses, namely Xinchengju (新橙居), Xinyuehui (新悅薈) and Chengxiangjia (橙享家). These opportunities provided a good foundation for our rapid growth in the future. At the same time, we also diversified the mix of the community-related value-added services. In the first half of the year, we enriched the business of Xinchengshe (新橙社), and strengthened our capabilities in building community retail and household services. As a result, the revenue contribution of Xinchengshe (新橙社) significantly increased. Upon acquisition of Chengyue Times, its catering service has become our fifth community-related value-added service segment – “Yueshishang” (悅食尚), which will become a new growth point as an integral part of the office buildings and corporate headquarters projects as the development of catering service and the expansion of non-residential segment projects can generate very strong synergies.

Xinchengju (新橙居): Provision of extensive decoration services, with revenue of approximately RMB78.1 million, accounting for approximately 42.2% of revenue from community-related value-added services

In the first half of the year, the Group provided extensive decoration services for 55 batches of the delivery of new properties. The Group identified the business opportunities brought by the delivery of a large number of new properties earlier, and systematically upgraded the business model of Xinchengju (新橙居). Adhering to the principle of providing convenience to property owners and assisting merchants, we adopted a unique self-operation model for some of our products, which was conducive to the rapid growth in revenue of Xinchengju (新橙居).

Xinchengshe (新橙社): Provision of a range of services related to daily life, with revenue of approximately RMB21.9 million, accounting for approximately 11.8% of revenue from community-related value-added services

As of 30 June 2020, revenue of Xinchengshe (新橙社) business amounted to approximately RMB21.9 million, exceeding the full year revenue of Xinchengshe (新橙社) business in 2019. During the outbreak of the epidemic, the Group provided property owners with a variety of fresh produce procurement and home delivery services, and launched pilot household delivery services in the second quarter. These types of services have become new growth points of Xinchengshe (新橙社).

Yueshishang (悅食尚): Provision of catering services, with revenue of approximately RMB8.9 million, accounting for approximately 4.8% of revenue from community-related value-added services

Upon the acquisition of Chengyue Times, the Group has successfully introduced Yueshishang (悅食尚) service, allowing the Group to provide property owners with canteen and banquet catering services. Such service will be launched in the non-residential projects under management of the Group, and at the same time will help the Group to build a more favorable position when expanding its office buildings and corporate headquarters.

- ***Smart community services***

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

The smart community services of the Group also experienced rapid growth. Revenue for the period amounted to approximately RMB208.4 million, an increase of approximately 133.0% as compared to approximately RMB89.5 million for the corresponding period in 2019, accounting for approximately 17.1% of revenue for the first half of 2020. In addition to the projects undertaken by Seazen Group, the Group made breakthrough in the third-party expansion of the smart community in the first half of this year, and the total value of contract entered into with third parties amounted to approximately RMB45.9 million, which included a landmark high-end shopping mall in Shanghai.

Cost of sales and services

During the period, the cost of sales and services of the Group was approximately RMB857.5 million, representing an increase of approximately 41.4% as compared to approximately RMB606.4 million for the corresponding period in 2019. 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 2020				2019		
	Gross profit RMB'000	Gross profit margin %	Percentage of gross profit %	Change in gross profit margin ppt	Gross profit RMB'000	Gross profit margin %	Percentage of gross profit %
Property management services	169,714	32.0	46.6	3.9	111,769	28.1	44.7
Developer-related value-added services	84,415	28.3	23.2	3.4	68,158	24.9	27.3
Community-related value-added services	78,959	42.7	21.7	(18.2)	57,930	60.9	23.2
Smart community services	31,056	14.9	8.5	1.4	12,044	13.5	4.8
Total	<u>364,144</u>	<u>29.8</u>	<u>100.0</u>	<u>0.6</u>	<u>249,901</u>	<u>29.2</u>	<u>100.0</u>

As of 30 June 2020, the gross profit of the Group amounted to approximately RMB364.1 million, representing an increase of approximately 45.7% as compared with approximately RMB249.9 million in the corresponding period in 2019. Gross profit margin increased by 0.6 percentage point to approximately 29.8% from approximately 29.2% for the corresponding period in 2019.

Gross profit of property management services was approximately RMB169.7 million, representing an increase of approximately 51.8% as compared to approximately RMB111.8 million in the corresponding period in 2019, and gross profit margin increased by 3.9 percentage points to approximately 32.0% from approximately 28.1% in the corresponding period in 2019. During the first half of the year, we continued to adjust the composition of our project portfolio and exited from certain projects with relatively low profitability, and the policy on social security relief across China also had a positive impact on the gross profit margin of property management services.

Gross profit of developer-related value-added services was approximately RMB84.4 million, representing an increase of approximately 23.9% as compared to approximately RMB68.2 million in the corresponding period in 2019, and gross profit margin increased by 3.4 percentage points to approximately 28.3% from approximately 24.9% in the corresponding period in 2019. The increase in gross profit margin was due to the increase in proportion of revenue from consultancy and property inspection services during the first half of the year.

Gross profit from community-related value-added services amounted to approximately RMB79.0 million, representing an increase of approximately 36.3% as compared to approximately RMB57.9 million in the corresponding period in 2019. Gross profit margin decreased by 18.2 percentage points to approximately 42.7% from approximately 60.9% in the corresponding period in 2019. The change in gross profit margin was mainly due to the change in business structure as a result of the higher revenue contribution from home living services during the first half of the year and the lower gross profit margin of our newly-introduced catering service as compared to the overall gross profit margin of the community-related value-added services.

Gross profit of our smart community services was approximately RMB31.1 million, representing an increase of approximately 157.9% as compared to approximately RMB12.0 million in the corresponding period in 2019. Gross profit margin increased by 1.4 percentage points to approximately 14.9% from approximately 13.5% in the corresponding period in 2019.

Administrative expenses

Administrative expenses were approximately RMB107.8 million, representing an increase of approximately 22.4% as compared with approximately RMB88.1 million in the corresponding period in 2019. Such increase was smaller than the growth of revenue of the Group, mainly due to the implementation of sound cost control measures and the enhancement of the Group's operating efficiency.

Other gains/(losses) – net

During the period, other gains of the Group amounted to approximately RMB5.2 million as compared to other losses of approximately RMB3.6 million for the corresponding period in 2019. Such change was mainly due to the fluctuations of exchange rates during the period.

Income tax expense

During the period, income tax amounted to approximately RMB60.4 million, representing an increase of approximately 64.1% as compared to approximately RMB36.8 million for the corresponding period in 2019. The tax rate was approximately 22.7% which was slightly lower as compared to approximately 22.9% for the corresponding period in 2019.

Under the rules and regulations of the Cayman Islands, the Group is exempted 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 2020, the Group did not make provision for Hong Kong profits tax accordingly.

Profit for the period

The profit for the period of the Group was approximately RMB205.5 million, representing an increase of approximately 65.6% from approximately RMB124.1 million for the corresponding period in 2019; profit attributable to owners of the Company was approximately RMB188.9 million, representing an increase of approximately 61.1% as compared to that for the corresponding period in 2019; and net profit margin was approximately 16.8%, up 2.3 percentage points over that for the corresponding period in 2019.

Trade receivables

Trade receivables amounted to approximately RMB407.9 million, representing an increase of approximately 55.2% as compared to approximately RMB262.8 million at the end of last year, mainly due to the faster growth of smart community services during the period.

Material Acquisition and Disposal

Acquisition of shares in Chengyue Times

On 7 May 2020, Tibet Xinchengyue Property Services Co., Ltd.* (西藏新城悅物業服務股份有限公司), a subsidiary of the Group, entered into the Equity Interest Purchase Agreement in relation to the acquisition of Chengyue Times for a consideration of approximately RMB104.6 million to acquire 61.5% shares of Chengyue Times. The consideration was determined after arm's length negotiations among the parties to the Equity Interest Purchase Agreement after taking into account, among other things, the historical financial performance of the target group, the valuation of comparable transactions and the growth potential of the target company under the prevailing market conditions. The Group has financed the consideration by the internal financial resources of the Group.

The acquisition will further enhance the Group's management capabilities in commercial office buildings, corporate headquarters and science parks, and create more business opportunities in non-residential areas. Through the acquisition, the Company's market share and brand influence in the Sichuan and Chongqing markets will be further strengthened. For details of the acquisition, please refer to the announcement of the Company dated 7 May 2020.

Significant Investments

As at 30 June 2020, the Group held financial assets at fair value through profit or loss of approximately RMB268.7 million, accounting for approximately 10.5% of the total assets of the Group as at 30 June 2020. Such financial assets include investments in various wealth management products of licensed 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 will continue to maintain such investment style and improve our capital utilization rate 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 2020, 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 2020

Nature of investment	As of 30 June 2020		For the six months ended 30 June 2020	
	Fair value RMB'000	Approximate percentage to the total assets of the Group %	Fair value gains/(losses) RMB'000	Other income RMB'000
<i>Financial assets at fair value through profit or loss:</i>				
Wealth management product	17,317	0.7	78	6
Trust products ¹	126,000	4.9	–	5,641
Listed bonds denominated in US Dollars ²	125,363	4.9	1,182	6,695
Total	<u>268,680</u>	<u>10.5</u>	<u>1,260</u>	<u>12,342</u>

Notes:

- Trust products include the Group's investments in two trust products, of which no single investment accounts for 5% or more of the Group's total assets.
- Listed bonds denominated in US Dollars include the Group's bond investments in five listed companies.

Pledge of Assets

As at 30 June 2020, the Group did not pledge any assets.

Foreign Exchange Risk

Since all of the Group's business were located in China, revenue and profits for the six months 30 June 2020 were calculated in Renminbi. The foreign currency held by the Group was mainly the proceeds from listing, all of which were in Hong Kong dollars. The Group did not consider that there was significant foreign currency exchange risk.

Use of 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.

The proceeds from listing are and will continuously be used 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	Net Proceeds (in RMB million)				Expected time of use of unutilized proceeds
	Percentage	Available	Utilized	Unutilized	
Acquisition of property management projects	60%	323.0	163.2	159.8	on or before 31 December 2021
Expansion of value-added services	15%	80.8	40.7	40.1	on or before 31 December 2021
Investment in advanced technology and employees	15%	80.8	71.4	9.4	on or before 31 December 2021
Working capital and general corporate purpose	10%	53.8	53.8	–	on or before 31 December 2021

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the 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 in this results announcement, the Company has complied with all applicable code provisions as set out in the CG Code during the six months ended 30 June 2020. 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

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 inquiries 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 2020.

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 Shareholders adopted a share option scheme (the “**Share Option Scheme**”) on 20 October 2018. During the six months ended 30 June 2020, the Company granted a total of 2,960,000 share options (each option entitles its holder to subscribe for one share of the Company) under the Share Option Scheme to certain executive Directors and employees. For details of the grant of share options, please refer to the announcement of the Company dated 30 June 2020.

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 shares 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 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 2020, a total of 5,000,000 shares were granted by the Company to certain executive directors and employees under the Share Award Scheme to recognise their contribution to the Group.

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 2020.

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 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 interim results of the Group for the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS AND 2020 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 2020 interim report of the Company 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 Officer

Hong Kong, 12 August 2020

As at the date of this announcement, the Board comprises Mr. Qi Xiaoming, Ms. Wu Qianqian and Mr. Lan Ziyong 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*