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Jinke 金科服务

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Jinke Smart Services Group Co., Ltd.

金科智慧服務集團股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 9666)

INSIDE INFORMATION ANNOUNCEMENT PROFIT ALERT

This announcement is made by Jinke Smart Services Group Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on its preliminary review of the unaudited management accounts of the Group and the information currently available to the management, the Group is expected to record a net loss attributable to owners of the Company in the range of approximately RMB1,800 million to RMB2,300 million for the year ended 31 December 2022 (the “**Period**”). Despite that, the Group recorded healthy operating cash inflows during the Period, with the operating cash flow ranging from approximately RMB350 million to RMB450 million.

Based on the information currently available, the management believes the principal reasons for the Group to record such a net loss are as follows:

- (i) During 2022, property management industry encountered unprecedented challenges, which is brought by the deteriorated liquidity crisis of China’s real estate sector, accompanied by frequent recurrence of Covid-19 pandemic as well as slowdowns in overall economy. The Group’s related property developer customer, as well as some third-party customers, also faced significant liquidity constraints. As a result, the Group has conducted impairment test on major assets such as other receivables and account receivables, and has recorded large amount of impairment loss that would cause large negative impact on the Group’s financial result.
- (ii) The Group recorded large amount of goodwill for a series of acquisitions of property management companies conducted in 2021. Given the significant changes in real estate and property management market environment in 2022, the Group decided to record appropriate impairment provisions on goodwill from such acquisitions.

- (iii) The Group strictly controlled the pace of business expansion during 2022. Specifically, it proactively scaled down certain businesses that are with high gross margin but with limited payment guarantees, especially value-added services to non-property owners.
- (iv) The Group also incurred more expenses in 2022 due to factors such as the repetitive lockdowns caused by Covid-19 pandemic, as well as the strategic withdrawal from certain low-quality projects.

Although above mentioned factors will cause the Group to incur significant accounting losses which are mostly on non-cash basis, the Group has nevertheless recorded healthy operating cash inflow for the year ended 31 December 2022. In addition, the Group still recorded healthy cash backflows during the Period. Although appropriate provision for relevant receivables has been recorded in 2022, the Group will still strive to solve those receivables issues through further active negotiations with key customers. The Group would also explore methods such as obtaining property assets from customers to offset receivables, and then leveraging the Group's expertise in sales or leasing of property assets to expedite the asset sale and cash recovery process, putting in our best effort to minimize the actual losses and receiving more cashflow.

In 2023, we will further strengthen the business fundamentals of the Group, and focus on pursuing high quality growth of areas under management as well as profit that comes with cash flows. We will further leverage our industry-leading operating capabilities and density advantages in our core markets to actively acquire high quality customers, providing them with comprehensive one-stop premium service solutions, and resulting in accelerated growth in all of our major business segments. Although the Group's profit for the year ended 31 December 2022 was adversely affected by residual issues, the Group has put in its best effort to obtain the optimal solution. We firmly believes that with our clear business strategy and firm execution, the Group will live up to the trust of its shareholders and deliver healthy business results in 2023.

As at the date of this announcement, the Company is still in the process of preparing and finalizing the annual results of the Group for the year ended 31 December 2022. The information contained in this announcement is only based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2022 and the information currently available to the management, which have not yet been audited or reviewed by the Company's auditor or the audit committee of the Company, and may be subject to adjustments. Shareholders and potential investors of the Company are advised by the Company to read carefully the annual results announcement of the Company for the year ended 31 December 2022, which is expected to be published by the Company by the end of March 2023.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board
Jinke Smart Services Group Co., Ltd.
Xia Shaofei
Chairman

Chongqing, China, 13 March 2023

As at the date of this announcement, the Board comprises Mr. Xia Shaofei as executive Director, Mr. Luo Licheng, Mr. Liang Zhongtai, Ms. Lin Ke, Mr. Wu Xiaoli and Mr. Xu Guofu as non-executive Directors, and Mr. Cao Guohua, Ms. Yuan Lin and Mr. Chan Chi Fung Leo as independent non-executive Directors.