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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

2020 RESULTS HIGHLIGHTS

- In 2020, total revenue of the Group increased to RMB3,358.9 million, representing an increase of approximately 44.3% from RMB2,327.7 million for the corresponding period in 2019. In 2020, revenue generated from property management services, value-added services to non-property owners, community value-added services and smart living technology solutions contributed approximately 60.3%, 26.1%, 12.2% and 1.4% to the total revenue, respectively.
- Revenue generated from property management services of the Group increased to RMB2,024.0 million, representing an increase of approximately 38.1% from RMB1,465.8 million for the corresponding period in 2019. The GFA under management increased by approximately 29.6% to 156.2 million sq.m. as at 31 December 2020 from 120.5 million sq.m. as at 31 December 2019. Contracted GFA increased by approximately 11.5% to 277.2 million sq.m. as at 31 December 2020 from 248.6 million sq.m. as at 31 December 2019.
- Gross profit of the Group increased to RMB997.4 million, representing an increase of approximately 56.9% from RMB635.7 million for the corresponding period in 2019. Gross profit margin increased by 2.4 percentage points to 29.7% in 2020 from 27.3% in 2019.
- The Group's profit for the year amounted to RMB633.2 million, representing an increase of approximately 69.1% from RMB374.4 million for the corresponding period in 2019. Benefiting from the preferential income tax policy for western development and high-tech enterprises, the Group's effective income tax rate for the Year was 17.5%.
- In 2020, profit attributable to owners of the Company increased to RMB617.6 million, representing an increase of approximately 68.5% from RMB366.5 million for the corresponding period in 2019. Profit attributable to owners of the Company before deducting foreign exchange losses was RMB651.9 million, representing an increase by 77.9% as compared with the corresponding period in 2019.
- The Board recommends the payment of a final dividend of RMB0.5 per share (before tax) for the year ended 31 December 2020.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Jinke Smart Services Group Co., Ltd. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (the “**Year**”), together with comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

		Year ended December 31,	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	4	3,358,944	2,327,657
Cost of sales	5	(2,361,590)	(1,691,979)
Gross profit		997,354	635,678
Selling and marketing expenses	5	(1,672)	(3,021)
Administrative expenses	5	(237,984)	(233,390)
Net impairment losses on financial assets		(8,222)	(4,018)
Other income	6	47,819	52,146
Other (losses)/gains – net		(37,269)	1,788
Operating profit		760,026	449,183
Finance income		85,362	160,731
Finance cost		(76,988)	(159,962)
Finance income – net		8,374	769
Share of net (losses)/profits of an associate and joint ventures accounted for using the equity method		(845)	160
Profit before income tax		767,555	450,112
Income tax expenses	7	(134,360)	(75,728)
Profit and total comprehensive income for the year		633,195	374,384
Profit and total comprehensive income attributable to:			
– Owners of the Company		617,594	366,452
– Non-controlling interests		15,601	7,932
		633,195	374,384
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	8	1.24	0.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

		As of December 31,	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		34,345	33,089
Intangible assets		9,988	5,017
Investments in an associate and joint ventures		4,850	160
Other receivables and prepayments	9	6,049	1,145,000
Deferred income tax assets		4,946	8,080
		<u>60,178</u>	<u>1,191,346</u>
Current assets			
Inventories		16,255	5,826
Other assets		60,602	74,240
Trade and bill and other receivables and prepayments	9	1,574,505	2,487,877
Restricted cash		364	1,455
Cash and cash equivalents	10	6,840,339	333,149
		<u>8,492,065</u>	<u>2,902,547</u>
Total assets		<u>8,552,243</u>	<u>4,093,893</u>
Equity			
Equity attributable to owners of the Company			
Share capital/Paid-in capital		652,848	50,000
Other reserves		5,993,270	25,000
Retained earnings		568,034	407,700
		<u>7,214,152</u>	<u>482,700</u>
Non-controlling interests		<u>38,311</u>	<u>22,295</u>
Total equity		<u>7,252,463</u>	<u>504,995</u>
Liabilities			
Non-current liabilities			
Borrowings		–	1,145,000
Lease liabilities		3,685	2,526
Deferred income tax liabilities		676	942
		<u>4,361</u>	<u>1,148,468</u>

		As of December 31,	
		2020	2019
	Note	RMB'000	RMB'000
Current liabilities			
Trade and bill and other payables	11	834,419	1,398,409
Borrowings		–	685,000
Lease liabilities		1,748	1,331
Contract liabilities		386,775	291,202
Current income tax liabilities		72,477	64,488
		<u>1,295,419</u>	<u>2,440,430</u>
Total liabilities		<u>1,299,780</u>	<u>3,588,898</u>
Total equity and liabilities		<u><u>8,552,243</u></u>	<u><u>4,093,893</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

1 GENERAL INFORMATION

Jinke Smart Services Group Co., Ltd. was established in the People's Republic of China (the "PRC") as a limited liability company on July 18, 2000. The address of the Company's registered office is Jinke Garden, Wuhuang Road, Wulidian Street, Jiangbei District, Chongqing, PRC.

The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on November 17, 2020 (the "Listing").

The Company and its subsidiaries are primarily engaged in the provision of property management services, value-added services to non-property owners, community value-added services and smart living technology solutions in the PRC.

The Company's parent company is Jinke Property Group Co., Ltd. ("Jinke Property"), a real estate company established in the PRC and listed on the Shenzhen Stock Exchange Co., Ltd (stock code SZ 000656).

This consolidated financial statements is presented in Renminbi ("RMB").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2020, are retrospectively and consistently applied to the Group for both years presented.

2.1.1 Changes in accounting policy and disclosures

Up to the date of issuance of this announcement, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

		Effective for annual periods beginning on or after
Hong Kong Accounting Standards (“HKAS”) 16 (Amendment)	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
HKAS 37 (Amendment)	Onerous Contracts – Cost to Fulfilling a Contract	January 1, 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	January 1, 2022
Annual improvements to HKFRS standards 2018 – 2020	Annual improvements to HKFRS standards 2018 – 2020	January 1, 2022
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	January 1, 2023
HKFRS 17	Insurance Contract	January 1, 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the Group’s consolidated financial statements is expected when they become effective.

3 SEGMENT INFORMATION

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

During the year ended December 31 2020 and 2019, the Group is principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services and smart living technology solutions in the PRC.

During the year ended December 31 2020 and 2019, all the segments are domiciled in the PRC and all the revenue are derived in the PRC, and the segments are principally engaged in the provision of similar services to similar customers. All operating segments of the Group were aggregated into a single operating segment.

As of December 31, 2020, part of proceeds of HKD1,917,002,000 (equivalent to RMB1,613,425,000) from the initial public offering were temporarily deposited in the Group’s bank accounts in Hong Kong. Except for this, all of the Group’s assets are situated in the PRC Mainland.

As of December 31, 2019, all of the assets were located in the PRC.

4 REVENUE

Revenue mainly comprises of proceeds from property management services, value-added services to non-property owners, community value-added services and smart living technology solutions. An analysis of the Group's revenue by category for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Recognized over time		
– Property management services	2,024,034	1,465,792
– Value-added services to non-property owners	720,396	596,391
– Community value-added services	174,588	158,139
– Smart living technology solutions	47,728	26,871
	2,966,746	2,247,193
Recognized at a point in time		
– Value-added services to non-property owners	155,686	–
– Community value-added services	236,512	80,464
	392,198	80,464
	3,358,944	2,327,657

For the years ended December 31, 2020 and 2019, revenue from the Jinke Property Group contributed 19% and 22% of the Group's revenue, respectively. Other than the Jinke Property Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Property management services	383,379	284,595
Community value-added services	3,396	6,607
	386,775	291,202

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The increase in contract liabilities was mainly due to the business expansion.

(ii) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
Property management services	284,595	212,925
Community value-added services	6,607	6,535
	291,202	219,460

(iii) Unsatisfied performance obligations

For property management services and value-added services to non-property owners, the Group recognizes revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. The majority of the property management services contracts do not have a fixed term. The term of the contracts for value-added services to non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

5 EXPENSES BY NATURE

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses	1,095,121	1,116,144
Greening and cleaning expenses	417,483	305,842
Cost of goods sold	375,277	72,436
Security charges	255,225	78,377
Maintenance costs	131,391	116,828
Utilities	85,290	43,895
Office expenses	33,922	28,657
Raw materials	37,462	18,388
Travelling and entertainment expenses	21,988	18,079
Depreciation and amortization charges	14,431	11,712
Taxes and other levies	14,254	11,505
Community activities expenses	14,052	14,525
Consultancy fee	10,560	6,811
Bank charges	10,024	6,786
Research expenses	9,203	3,183
Operating lease payments	7,976	7,012
Advertising expenses	3,664	3,692
Audit services		
– Audit services	1,975	393
– Non-audit services	–	–
Recruiting costs	968	1,117
Others	60,980	63,008
	<u>2,601,246</u>	<u>1,928,390</u>
Total cost of sales, selling and marketing expenses and administrative expenses		

6 OTHER INCOME

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Interest income from loans to related parties	15,281	26,799
Government grants (<i>Note (a)</i>)	23,893	20,782
Value-added tax deductible	8,645	4,565
	<u>47,819</u>	<u>52,146</u>

- (a) The government grants mainly represent financial subsidies granted by local government. There are no unfulfilled conditions or other contingencies attached to these grants.

7 INCOME TAX EXPENSES

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC corporate income tax	131,503	76,221
Deferred income tax		
– PRC corporate income tax	2,857	(493)
	<u>134,360</u>	<u>75,728</u>

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	767,555	450,112
Tax charge at effective rate applicable to profits in the respective group entities	134,632	75,869
Tax effects of:		
– Expenses not deductible for tax purposes	610	245
– Tax effect of super deduction	(1,083)	(672)
– The impact of change in tax rate applicable to subsidiaries	201	286
Total income tax expenses	<u>134,360</u>	<u>75,728</u>

The effective income tax rate was 17.5% and 16.8% for the years ended December 31, 2020 and 2019 respectively.

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

The general corporate income tax rate in PRC is 25%. The Company and most subsidiaries of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% for certain years.

8 EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have issued and allocated on January 1, 2019 as if the Company has been converted from a limited liability company into a joint stock company by then.

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the years ended December 31, 2020 and 2019.

The Company did not have any potential ordinary shares outstanding during the years ended December 31, 2020 and 2019. Diluted earnings per share is equal to basic earnings per share.

	Year ended December 31,	
	2020	2019
Profit attributable to owners of the Company (<i>RMB '000</i>)	617,594	366,452
Weighted average number of ordinary shares (<i>in thousands</i>)	497,011	455,473
Basic and diluted earnings per share for profit attributable to the owners of the Company during the year (<i>expressed in RMB per share</i>)	1.24	0.80

9 TRADE AND BILL RECEIVABLES

	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– Related parties	294,683	142,130
– Third parties	772,736	413,894
	1,067,419	556,024
Less: allowance for impairment of trade receivables	(11,675)	(5,316)
	1,055,744	550,708
Bill receivables		
– Third parties	1,084	–

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

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Up to 1 year	1,018,542	543,218
1 to 2 years	43,470	9,905
2 to 3 years	4,015	2,695
3 to 4 years	2,395	114
4 to 5 years	52	72
Over 5 years	29	20
	1,068,503	556,024

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. As of December 31, 2020 and 2019, a provision of RMB11,675,000 and RMB5,316,000 was made against the gross amounts of trade receivables.

10 CASH AND CASH EQUIVALENTS

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Cash at bank and on hand (<i>Note(a)</i>)		
– Dominated in HK\$	5,638,409	–
– Dominated in RMB	1,201,930	333,149
	6,840,339	333,149

- (a) As of December 31 2020, the balance of proceeds from the initial public offering of HK\$6,699,312,000, equivalent to RMB5,638,409,000, were temporarily deposited in the Group's bank accounts in Hong Kong and the PRC Mainland.

11 TRADE AND BILL PAYABLES

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)		
– Related parties	493	43
– Third parties	270,810	144,196
	<u>271,303</u>	<u>144,239</u>
Bill payables		
– Third parties	7,936	8,909
	<u>7,936</u>	<u>8,909</u>

- (a) As of December 31, 2020 and 2019, the ageing analysis of the trade and bill payables based on invoice date were are follows:

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Up to 1 year	276,206	151,667
1 to 2 years	2,280	573
2 to 3 years	165	564
Over 3 years	588	344
	<u>279,239</u>	<u>153,148</u>

12 DIVIDENDS

The Board of Directors recommended the payment of a 2020 final dividend of RMB0.5 per share (before tax), totalling RMB326,424,050. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review and Overview

In 2020, COVID-19 pandemic had a great and far-reaching impact on the global political and economic landscape. The world is facing a major change that has never happened in a hundred years, and the global economy is under full pressure. China has not only effectively controlled the spread of COVID-19 pandemic in a timely manner, but also achieved steady economic recovery, with positive economic growth throughout the year and GDP exceeding RMB100 trillion for the first time. In the process of economic recovery, the property management service industry has been well recognised by capital and its industry value has been reshaped owing to its stable profitability and abundant cash flow. At the same time, the favorable policies of the industry have been continuously released, the property management industry has ushered in a period of rapid development, accelerating the centralized, diversified, digital and intelligent transformation of the industry, and promoting the transformation of the property management industry model from an intensive labor export to an intensive modern service model.

Taking advantage of the capital market, the Company landed on the main board of the Stock Exchange in 2020. With the development of the industry and the support of all the Shareholders, the Company has achieved rapid growth and continued to maintain the first comprehensive smart property management service provider in Southwest China and the top ten in China.

Revenue and profit maintained rapid growth, and the contracted GFA and GFA under management maintained sound improvement. In 2020, the Group achieved the revenue of approximately RMB3,358.9 million, with an increase of 44.3% over the same period of 2019; gross profit was approximately RMB997.4 million, with a year-on-year increase of approximately 56.9%; net profit of approximately RMB633.2 million, with a year-on-year increase of 69.1%; net profit attributable to owners of the Company for the whole year was approximately RMB617.6 million, with an increase of approximately 68.5% over the same period of 2019. Excluding the impact of foreign exchange losses, net profit attributable to the Company would have been approximately RMB651.9 million, with an increase of approximately 77.9% over the same period last year. As of 31 December 2020, the Group has completed a nationwide layout of 25 provinces and 152 cities, with a total GFA under management of approximately 156 million sq.m., of which 48.6% was attributable to independent third parties, and a total contracted GFA of approximately 277 million sq.m., of which 56.3% was attributable to independent third parties, representing a qualitative growth in scale and quality.

Financial indicators have shown increasingly steady trends and operating indicators remained advanced. In 2020, the Group achieved a gross profit of approximately RMB997.4 million, representing a year-on-year increase of approximately 56.9%, and gross profit margin increased by 2.4 percentage points to 29.7% compared with that in 2019, of which the gross profit margin of property management services was approximately 26.3%, representing a year-on-year increase of 4.6 percentage points as compared with that in the previous year. Benefiting from the continuous implementation of technology empowerment, cost reduction and efficiency improvement, the Group's expense ratio decreased by 2.9 percentage points to 7.1% as compared with that in 2019, and the net profit margin continued to increase to 18.9%, representing an increase of 2.8 percentage points as compared to the same period last year. Due to the preferential tax policies for the development of the western region and the preferential tax policies for high-tech enterprises, the Group's effective income tax rate was 17.5%. At the same time, due to our high-quality service and good market reputation, customer satisfaction has exceeded 90% for 9 consecutive years, the average property management fees has increased year by year to RMB2.18/sq.m. per month, and the collection rate has remained at a high level of 90%. During the year, the number of registered users of Jinke Great Community APP increased by 200,000, with remarkable effect of technological reform.

The four major segments developed in a balanced way and their results reached a new high. In 2020, the Group's four business segments, namely property management services, value-added services to non-property owners, community value-added services and smart living technology solutions generated revenue of RMB2,024.0 million, RMB876.1 million, RMB411.1 million and RMB47.7 million respectively. Among them, revenue from property management services increased by 38.1% year-on-year due to the steady growth in the GFA under management and the increase in non-residential projects. For community value-added services, we established a full life-cycle value-added service system focusing on the personalized needs of residents in terms of "food, accommodation, transportation, travel, shopping and education", and its revenue increased significantly by 72.3%. For smart living technology solutions, we continued to strengthen the output of technology products, and the business of providing smart solutions to third parties has increased significantly. The services, such as smart community and smart sales office continued to grow, so revenue increasing significantly by 77.3% with the gross profit margin of 53.6%. For value-added services to non-property owners, revenue increased by 46.9% year on year as Jinke Property Group's sales amounts continued to grow at a high speed and the types of value-added service we provided to third-party real estate developers increased.

Review of 2020

The Group insisted on high quality and pursued customer satisfaction. The Group has always adhered to the development strategy of customer satisfaction as the core, provided customers with "satisfaction + surprise" service to realize customer satisfaction and customer recommendation. Focusing on multiple business models, we established three standardized service systems, including Golden Butlers System, Golden Communities System, and Golden Technologies System, to achieve high-quality standardized services, ensuring that different business lines and different projects maintain consistent high-quality services. The customer satisfaction rate of our external projects was nearly 85%, which guaranteed a high renewal rate of nearly 100% for our external projects and gained a good market reputation. At the same time, in order to improve the quality of our services, the Group continued to carry out the "10-Year Renew Plan" and invested over RMB200 million in community restoration and environmental maintenance, so that residents can truly feel that they are "retrograding with time and living with beauty". Benefiting from this, the owners' assets and the value of community space have been continuously improved. The average transaction price of second-hand houses in the communities that we have served for more than 5 years was higher than that of the comparable communities in the same period, so as to empower the community with good services and further enhance loyalty of residents. Until now, the unit price of property fees in 44 batches of 35 projects has been increased.

The Group adhered to value outreach and cultivate long-run capability. The Group maintained steady growth in GFA under management and contracted GFA; Based on our existing management scale, the Group withdrew 10 million sq.m. of low-performance projects, optimized the allocation of project resources, and continuously improved the gross profit margin of property management services and the long-term profitability of the Company; Relying on advanced technical capabilities, we rapidly expanded diversified service formats and served a total of 215 non-residential projects, forming a multi-format service system covering industrial parks, commercial buildings, hospitals, schools, and public buildings, and actively acquired 8 urban service projects. The Group was committed to deeply developing the southwest region and implementing the urban density strategy. In Chongqing, our management scale exceeded 80 million sq.m. and serves more than 500,000 families, with significant scale effect. At the same time, relying on strong market expansion capability, we rapidly expanded the market share in Central China, East China, South China, and North China. More than 80% of our existing external projects acquired from bidding. The Group adhered to the strategy of low-cost external expansion in the form of bidding, strategic cooperation, M&As, and focused on the sustainable growth of scale and profitability.

The Group focused on the material and spiritual needs of customers and steadily promoted our value-added business performance. Focusing on the high-frequency material and spiritual needs of residents, we continued to develop high-quality value-added services. For non-owner value-added services, we used our professional ability to actively expand our market business. In 2020, we served 437 sales offices, including 143 external independent third-party projects. Relying on our strong technological strength, we upgraded traditional sales office services to smart sales office services, provided customers with intelligent and modernized experiences, and serviced over 200 smart sales offices in 2020; For the housing construction cycle, we provided full life-cycle value-added services, including professional and intelligent consulting services at the early stage of construction. Before delivery, we provided professional housing inspection services to improve the quality of housing delivery. For the community value-added services, based on the community and profession, we focused on the residents' "food, housing, transportation, travel, shopping and education" to gradually promote the development of the sub-segments of comprehensive traveling and living services, home-living services, home-decoration services, community management services, in which the segment of home-living services, including the sub-brand of our community group purchase, namely "Blessed Neighborhood", grew rapidly, with its revenue increasing by 206% during the year, which was highly recognized by the residents. The performance contribution of the three major segments of community management services, home-decoration services, and comprehensive living and traveling services continued to improve, and revenue capacity was gradually strengthened.

The Group adhered to the science and technology and built a first-class digital and intelligent platform. Relying on the industry-leading scientific and technological strength, we continued to promote the reform of manpower mechanization and mechanical intelligence. Through the first-class digital and intelligent platform, we integrated IoT middle platform, AI middle platform, data center, business middle platform, 3D digital engine and video dynamic perception to empower management, greatly improve the operation, and realize the refined management of project plans, with the node achievement rate exceeding 95%. The "Tianqi Yuncheng" IOS intelligent system which was independently developed by us completed the upgrade of version 4.0, realizing the deep integration of data and business, further integrating artificial intelligence into intelligent life, building a complete customer portrait, and individually meeting the diverse needs of customers. The Group has over 100 core technicians, 16 national intellectual property patents and 19 national software copyrights. The Group continuously reached strategic cooperation with leading scientific and technological enterprises in the industry, and made use of our own advantages of "science and technology + data + scenario + service" to form complementary advantages and continuously enhanced the strength of technology. The Group actively expanded external intelligent business and provided customized intelligent management service solutions for intelligent cities, intelligent government and enterprises, intelligent communities and intelligent buildings.

The Group continued to fulfill social responsibilities and actively gave back to shareholders. The Group insisted on advocating neighborhood culture throughout the country, put forward the concept of “respecting the elderly, loving wife, parents and children, developing good-neighborly relations and cherishing one’s own”, and successively set up six major neighborhood series activity platforms, such as “Neighborhood Banquet, Neighborhood Tourism Season, Neighborhood Art Festival, Neighborhood Family Day, Neighborhood Games, and Neighborhood Outing Season”, and set up neighborhood family activity platforms such as Jinke 520, Great Community Volunteer Day, Blessed Neighborhood and Neighborhood Festival, aiming at building a Jinke Family Community. At the same time, in the face of the epidemic, we built the last line of defense for community safety and achieved “zero cross-infection” in the projects under our management; Thirteen volunteers of the Company joined rescue operations at Huoshenshan Hospital, Wuhan, and provided good property management services, won the title of “National Advanced Individual Against Epidemic Diseases”, and actively practiced the social responsibilities. The high-quality and rapid development of the Company cannot be separated from the support of the Shareholders. The Group upheld the concept of growing together with the Shareholders and sharing the results of growth, and maintained a high dividend ratio. In 2020, the Board recommended to pay a dividend of RMB0.5 (including tax) per share.

Prospect

With the influx of capital in the property management industry, the concentration of the industry will be further enhanced, the market competition will be more intense and the Matthew effect will emerge. In the face of more severe competitive pressure, the Company will further deepen the development strategy of “service + technology, service + ecology”, continue to develop the three major business sectors of property management services, technology services and value-added services, promote each business from the community to society, and advance towards a world-class intelligent service provider.

The Group will further improve our corporate governance system and create an advanced talent mechanism to stimulate business development. The Group has always attached importance to the construction of our corporate governance system. Now we have established a sound corporate governance system and an independent internal supervision system to ensure the sound operation of our company in a legal and compliant manner and to guarantee the interests of the Shareholders. As for the talent mechanism, we will further optimize and adjust the employee stock ownership plan based on the implementation of the two employee stock ownership plans in 2017 and 2020 to motivate and attract outstanding talents to join, so that we can unify our goals, results and interests with our employees. The Group will promote the business partner mechanism, implement divisional reform for all value-added service segments, and gradually carry out the employee stock ownership mechanism. The Group also continues to strengthen the talent recruitment, training and cultivation system, and build a talent team with professional sequence to ensure the steady improvement of service quality. In order to further attract young people to join us, we have implemented a nationwide recruitment program named “Star Student” for graduates, to attract young talents with potential to join us and maintain the vitality of our team.

In the field of property management services, we will continue to integrate high-quality resources to achieve mutual growth in profit and scale. The Group will seize the market-oriented development trend of the property management industry, strengthen the investment in external expansion resources, adhere to “internal extension + external growth”, rely on industry-leading customer satisfaction, good brand reputation and leading digital capability, integrate high-quality resources, and continue to carry out market-oriented expansion, in the form of bidding, strategic cooperation, M&As to achieve valuable scale growth; Taking advantage of our own capital and resources, we will carefully treat the opportunity of merger and acquisition, select targets that are highly compatible with us in terms of business profile, business scale, profitability and growth potential to enhance our management scale and profitability. At the same time, we will actively expand the non-residential segment, strengthen our role as an integrated service provider of large logistics, increase our expansion into commercial offices, schools and hospitals, and further extend to urban services, striving to build a better urban environment.

In the field of intelligent technology services, we will continue our digital transformation and promote the construction of intelligent cities and intelligent communities. The Group will continue to upgrade the intelligent integration system and improve digitalization and intelligence in order to achieve better and more effective management, implement the strategy of manpower mechanization, accelerate the practical application of robots for cleaning, patrolling and transportation, further enhance customer satisfaction and continuously control costs and increase efficiency, and rely on the practical application of digital technologies such as big data, 5G network and artificial intelligence to continuously improve intelligent community management. In addition, we will make use of the leading scientific and technological strength to promote product research and development (“R&D”) and the upgrade of product strength, set up a strong full-cycle team of R&D, sales, operation and maintenance as well as after-sales service, and export full life-cycle intelligent solutions to property management companies to help them improve their intelligence. The Group will further expand the business of intelligent city, intelligent government and enterprise, and intelligent community, and contribute to the construction of national digital society.

In the field of better life services, we will continue to focus on the community ecosystem and build a new model of community business. Through a large residents base, accurate control of owner needs and professional operation service team, we will continue to develop four major sectors of business, namely, Home-living services, Community management services, Home-decoration services, Comprehensive living and traveling services, optimize existing value-added services, increase revenue scale and enhance profitability. Adhering to create a better lifestyle for the owners, we will vigorously develop community group purchase, tourism, asset management, and education, rapidly layout group meals and urban comprehensive services, actively explore consumption businesses of culture, sports and health. Relying on the management base as the core, we will take the community as the starting point, break the existing thinking boundary, move the business from the community to the society, utilize the “online + offline” service capabilities, integrate the advantages of upstream and downstream industrial chains, create all-round personalized services for owners, further enhance profitability, promote the relationships with owners, and continuously build a first-class service provider for a better life.

FINANCIAL REVIEW

Revenue

During the Year, the Group derived its revenue from four business lines, namely (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) smart living technology solutions.

The following table sets forth the details of the Group's total revenue by business line for the years indicated:

	As at or for the year ended 31 December			
	2020		2019	
	(RMB'000)	%	(RMB'000)	%
Property management services	2,024,034	60.3	1,465,792	62.9
Value-added services to non-property owners	876,082	26.1	596,391	25.6
Community value-added services	411,100	12.2	238,603	10.3
Smart living technology solutions	47,728	1.4	26,871	1.2
Total	<u>3,358,944</u>	<u>100.0</u>	<u>2,327,657</u>	<u>100.0</u>

The Group's revenue increased by approximately 44.3% from RMB2,327.7 million for the year ended 31 December 2019 to RMB3,358.9 million for the year ended 31 December 2020. This increase was mainly attributable to:

- (i) the increase in revenue from property management services by approximately 38.1% from RMB1,465.8 million for the year ended 31 December 2019 to RMB2,024.0 million for the year ended 31 December 2020, which was primarily driven by the Group's business expansion, of which the GFA under management increased by approximately 29.6% from 120.5 million sq.m. as at 31 December 2019 to 156.2 million sq.m. as at 31 December 2020;
- (ii) the increase in revenue from value-added services to non-property owners by approximately 46.9% from RMB596.4 million for the year ended 31 December 2019 to RMB876.1 million for the year ended 31 December 2020, which was primarily driven by an increase in sales assistance services provided to property developers as a result of an increase in the number of sales offices;
- (iii) the increase in revenue from community value-added services by approximately 72.3% from RMB238.6 million for the year ended 31 December 2019 to RMB411.1 million for the year ended 31 December 2020, which was primarily driven by the increase in scale of the Group's property management business and the expansion of the Group's value-added service offerings to property owners;
- (iv) the increase in revenue from smart living technology solutions by approximately 77.3% from RMB26.9 million for the year ended 31 December 2019 to RMB47.7 million for the year ended 31 December 2020, which was primarily driven by (i) the increase in smart solutions that the Group developed for Independent Third Parties; and (ii) the wider implementation of the Home-Life system (生命家系統) in sales offices where the Group provides sales assistance services.

Property management services

The following table sets forth a breakdown of the GFA under management as at the dates indicated and total revenue from the provision of property management services by type of property developer for the years indicated:

	As at/For the year ended 31 December			
	2020		2019	
	GFA under management (sq.m. '000)	Revenue (RMB '000)	GFA under management (sq.m. '000)	Revenue (RMB '000)
Properties developed by Jinke Property Group ⁽¹⁾	71,804	1,202,309	56,761	923,598
Properties developed by Jinke Property Group's joint ventures and associates ⁽²⁾	8,466	64,352	5,563	30,450
Properties developed by Independent Third Parties ⁽³⁾	75,903	757,373	58,208	511,744
Total	<u>156,173</u>	<u>2,024,034</u>	<u>120,532</u>	<u>1,465,792</u>

Notes:

- (1) Refer to properties developed by Jinke Property Group through its wholly-owned subsidiaries or properties jointly developed by Jinke Property Group and other property developers (excluding properties developed by Jinke Property Group's joint ventures and associates) in which Jinke Property Group held a controlling interest.
- (2) Refer to properties developed by Jinke Property Group's joint venture and associates, in which Jinke Property Group did not hold a controlling interest.
- (3) Refer to properties solely developed by third-party property developers independent from Jinke Property Group. Properties developed by Independent Third Parties include government-owned buildings and other public properties.

During the Year, the average property management fee of projects developed by Jinke Property Group was RMB2.18 per sq.m. per month (2019: RMB2.17) and the average property management fee of projects developed by Independent Third Parties was RMB1.74 per sq.m. per month (2019: RMB1.66). As at 31 December 2020, the Group achieved 90% collection rate of property management fee as a result of the Group's high service satisfaction rate.

During the Year, a majority of the Group's revenue from property management services was derived from residential properties, which accounted for 82.9% of the Group's total revenue from property management services as compared to 85.4% of the Group's total revenue from property management services in 2019. The general decrease in the percentage of revenue derived from managing residential properties during the Year was primarily due to increase in the Group's total GFA under management and number of non-residential properties the Group acquired through successful tenders from Independent Third Parties.

The table below sets forth a breakdown of the Group's total GFA and number of projects under management as at the dates indicated by property type:

	As at year ended 31 December			
	2020		2019	
	GFA under management (sq.m. '000)	Number of projects under management	GFA under management (sq.m. '000)	Number of projects under management
Residential properties	129,905	404	105,890	285
Non-residential properties				
– Commercial properties and office buildings	5,904	117	4,266	85
– Public and other properties	14,745	62	6,222	23
– Industrial parks	5,619	36	4,154	24
Subtotal	26,268	215	14,642	132
Total	156,173	619	120,532	417

To facilitate management of the Group, the Group divides its geographic coverage into three major regions in China, namely, the Southwestern China Region, the Eastern and Southern China Region, the Central China Region, and other regions. The table below sets forth a breakdown of the Group's total GFA under management as at the dates and revenue from property management services for the years indicated by geographic region:

	As at/For the year ended 31 December			
	2020		2019	
	GFA under management (sq.m. '000)	Revenue (RMB'000)	GFA under management (sq.m. '000)	Revenue (RMB'000)
Southwestern China Region ⁽¹⁾	83,826	1,182,824	61,699	890,018
Eastern and Southern China Region ⁽²⁾	33,473	470,706	24,159	326,124
Central China Region ⁽³⁾	29,988	250,588	28,027	173,325
Other regions ⁽⁴⁾	8,886	119,916	6,647	76,325
Total	156,173	2,024,034	120,532	1,465,792

Notes:

- (1) Provinces, municipalities and autonomous regions in which the Group provides property management services to projects in the Southwestern China Region include Sichuan province, Guizhou province, Yunnan province, Tibet Autonomous Region and Chongqing municipality.
- (2) Provinces, municipalities and autonomous regions in which the Group provides property management services to projects in the Eastern and Southern China Region include Jiangsu province, Zhejiang province, Fujian province, Jiangxi province, Shandong province, Anhui province, Guangdong province, Hainan province, Guangxi Zhuang Autonomous Region and Shanghai municipality.

- (3) Provinces, municipalities and autonomous regions in which the Group provides property management services to projects in the Central China Region include Henan province, Hubei province and Hunan province.
- (4) Provinces, municipalities and autonomous regions in which the Group provides property management services to projects in other regions include Hebei province, Shanxi province, Shaanxi province, Gansu province, Qinghai province, Liaoning province, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, Xinjiang Uyghur Autonomous Region, Beijing and Tianjin municipalities.

The table below indicates the changes for our contracted GFA and GFA under management for the year ended 31 December 2020 and 2019 respectively:

	For the year ended 31 December			
	2020		2019	
	Contracted GFA (sq.m. '000)	GFA under management (sq.m. '000)	Contracted GFA (sq.m. '000)	GFA under management (sq.m. '000)
As at the beginning of the year	248,558	120,532	189,771	89,742
New engagements ⁽¹⁾	46,258	45,690	65,249	37,252
Terminations ⁽²⁾	(17,645)	(10,049)	(6,462)	(6,462)
	<u>277,171</u>	<u>156,173</u>	<u>248,558</u>	<u>120,532</u>

Notes:

- (1) With respect to residential communities we manage the relevant, new engagements primarily include preliminary management contracts for new properties developed by property developers and property management service contracts for residential communities replacing their previous property management service providers.
- (2) These terminations include our voluntary non-renewal of certain property management service contracts as we reallocated our resources to more profitable engagements in an effort to optimize our property management portfolio.

Revenue from value-added services to non-property owners

The Group provides value-added services to non-property owners primarily in the form of (i) sales assistance services; (ii) pre-delivery services; and (iii) consultancy and other services. The following table sets forth the components of revenue from value-added services to non-property owners for the years indicated:

	For the year ended 31 December			
	2020		2019	
	(RMB'000)	%	(RMB'000)	%
Sales assistance services	724,293	82.6	474,690	79.6
Pre-delivery services	100,423	11.5	112,023	18.8
Consultancy and other services	51,366	5.9	9,678	1.6
Total	<u>876,082</u>	<u>100.0</u>	<u>596,391</u>	<u>100.0</u>

Revenue from community value-added services

The Group provides community value-added services to property owners and residents of the properties managed by the Group, primarily in the form of (i) home-living services; (ii) community management services; (iii) home-decoration services; and (iv) comprehensive living and traveling services. The following table sets forth the components of revenue from community value-added services for the years indicated:

	For the year ended 31 December			
	2020		2019	
	(RMB'000)	%	(RMB'000)	%
Home-living services	249,492	60.7	81,639	34.2
Community management services	83,218	20.2	75,152	31.5
Home-decoration services	28,501	6.9	41,070	17.2
Comprehensive living and traveling services	49,889	12.2	40,742	17.1
Total	<u>411,100</u>	<u>100.0</u>	<u>238,603</u>	<u>100.0</u>

Revenue from smart living technology solutions

The Group provides smart living technology solutions, which primarily include (i) smart design services that include designing various high-tech systems for property developers such as home security systems; (ii) smart on-site services to property developers during mainly property sales such as display and promotion of smart home technologies at their properties; and (iii) smart integration operational platform services, which include the development, customization, installation and maintenance of certain property management systems.

The Group's revenue generated from smart living technology solutions increased by approximately 77.3% from RMB26.9 million for the year ended 31 December 2019 to RMB47.7 million for the year ended 31 December 2020, primarily due to (i) the increase in smart solutions that the Group developed for Independent Third Parties; and (ii) the wider implementation of the Home-Life system (生命家系統) in sales offices where the Group provides sales assistance services.

COST OF SALES

The Group's cost of sales primarily consists of (i) employee benefit expenses; (ii) greening and cleaning expenses; (iii) maintenance costs; (iv) security maintenance costs; (v) cost of goods sold in relation to the Group's shopping services; (vi) utilities; (vii) office expenses; (viii) cost of raw materials; (ix) community activities expenses; (x) taxes and other levies; (xi) depreciation and amortization charges; and (xii) other costs.

The cost of sales of the Group increased by 39.6% from approximately RMB1,692.0 million for the year ended 31 December 2019 to approximately RMB2,361.6 million for the year ended 31 December 2020, which was generally consistent with the growth of the Group's business.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the components of the Group's gross profit and gross profit margin by business line for the years indicated:

	For the year ended 31 December			
	2020		2019	
	Gross profit	Gross profit	Gross profit	Gross profit
	(RMB'000)	margin %	(RMB'000)	margin %
Property management services	531,397	26.3	318,765	21.7
Value-added services to non-property owners	292,613	33.4	193,919	32.5
Community value-added services	147,764	35.9	110,003	46.1
Smart living technology solutions	25,580	53.6	12,991	48.3
Total	997,354	29.7	635,678	27.3

Gross profit of the Group increased by 56.9% from approximately RMB635.7 million for the year ended 31 December 2019 to approximately RMB997.4 million for the year ended 31 December 2020.

Gross profit margin of the Group increased from 27.3% for the year ended 31 December 2019 to 29.7% for the year ended 31 December 2020, which was primarily due to (i) the economies of scale as the Group expands its business; and (ii) the Group achieved a substantial cost reduction and efficiency improvement under its continued technological empowerment.

Gross profit margin of property management service increased from 21.7% for the year ended 31 December 2019 to 26.3% for the year ended 31 December 2020, which was primarily due to (i) the increase in the average property management fee for residential properties; and (ii) the increase in the number of non-residential projects with higher gross profit margin being managed by the Group.

Gross profit margin of value-added services to non-property owners increased from 32.5% for the year ended 31 December 2019 to 33.4% for the year ended 31 December 2020, which was primarily due to the Group optimized the staff structure of sales office management services and social security exemptions in 2020 due to the impact of COVID-19 pandemic.

Gross profit margin of community value-added services decreased from 46.1% for the year ended 31 December 2019 to 35.9% for the year ended 31 December 2020, which was primary attributable to the increase in the provision of community group purchasing business in home-living services, which has a lower gross profit margin.

Gross profit margin of smart living technology solutions increased from 48.3% for the year ended 31 December 2019 to 53.6% for the year ended 31 December 2020, which was primary due to the increase in the provision of smart integration operational platform services and smart solutions, which have a higher gross profit margin.

OTHER INCOME

The Group's other income primarily consists of (i) interest income relating to loans to related parties; (ii) government grants; and (iii) value-added tax deductible for service providers.

Other income of the Group decreased by 8.3% from approximately RMB52.1 million for the year ended 31 December 2019 to approximately RMB47.8 million for the year ended 31 December 2020, which was primarily due to the decrease in interest income received from loans to Jinke Property Group upon full settlement of all outstanding amounts under the ABS agreements and ABN agreements (as defined in the paragraph headed "Pledge of Assets" below).

OTHER (LOSSES)/GAINS – NET

The Group's other (losses)/gains – net primarily consist of (i) gains on disposal of other assets; (ii) foreign exchange losses; and (iii) losses on disposal of property, plant and equipment.

The Group recorded other net gains of RMB1.8 million for the year ended 31 December 2019, which was primarily attributable to the gains on disposal of other assets. For the year ended 31 December 2020, the Group recorded other net losses of RMB37.3 million, which was primarily attributable to the net foreign exchange losses.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses primarily consist of (i) employee benefit expenses for administrative staff; (ii) traveling and entertainment expenses; (iii) office expenses; (iv) bank charge, which mainly include transaction fees charged by banks; (v) depreciation and amortization; (vi) research expenses in developing the Group's smart living technology solutions; and (vii) others, which mainly include consultancy service fees, recruiting costs and advertising expenses.

Administrative expenses of the Group remained relatively stable at approximately RMB233.4 million for the year ended 31 December 2019 and approximately RMB238.0 million for the year ended 31 December 2020, which were primarily attributable to the implementation of effective cost reduction measures despite the expansion of the business of the Group.

INCOME TAX EXPENSES

The Group's income tax expenses comprise PRC corporate income tax. Income tax expenses of the Group increased by 77.5% from approximately RMB75.7 million for the year ended 31 December 2019 to approximately RMB134.4 million for the year ended 31 December 2020, which was primarily due to the increase in PRC corporate income tax of the Group resulted from the increase in profits before tax of the Group, which was in line with the business expansion of the Group.

The effective income tax rate of the Group remained relatively stable at 16.8% and 17.5% for the years ended 31 December 2019 and 2020, respectively. Such rate was lower than the PRC general corporate income tax rate of 25%, primarily because the Company and some of the Group's subsidiaries enjoyed a 15% preferential income tax treatment for western regions in China, while one of the Group's subsidiaries enjoyed the preferential income tax treatment for new and high-technology enterprise.

INTANGIBLE ASSETS

The Group's intangible assets primarily consist of software. Its intangible assets of the Group increased by approximately 100% from RMB5.0 million as at 31 December 2019 to RMB10.0 million as at 31 December 2020, mainly due to the increase in the self-developed software of the Group as a result of the Group's continuous efforts to research and develop software aimed at providing technological solutions.

TRADE AND BILL RECEIVABLES

The Group's trade receivables mainly arise from property management services income under lump sum basis and value-added services as provided to non-property owners.

Trade and bill receivables of the Group increased by approximately 91.9% from RMB550.7 million as at 31 December 2019 to RMB1,056.8 million as at 31 December 2020, mainly due to the increase in trade receivables from third parties as a result of the increase in the Group's property management service, and its value-added services to non-property owners, which was in line with the business expansion of the Group.

OTHER ASSETS

The Group held a small number of parking lots of certain properties only for sales purpose but the sales of these parking lots is not part of the Group's core business.

Other assets of the Group decreased by approximately 18.3% from RMB74.2 million as at 31 December 2019 to RMB60.6 million as at 31 December 2020, which was primarily due to the decrease in the number of assets held for the sale in the ordinary course of business.

PREPAYMENTS AND OTHER RECEIVABLES

The Group's prepayments and other receivables mainly represent (i) prepayments to suppliers; (ii) deferred listing expenses; (iii) prepaid tax; and (iv) other receivables consisting of certain interest-bearing cash advances due from related parties, deposit from third parties utilities from property owners and residents.

Prepayments and other receivables of the Group decreased by approximately 83.0% from RMB3,082.2 million as at 31 December 2019 to RMB523.7 million as at 31 December 2020, mainly due to full settlement of all outstanding amounts under the ABS agreements and ABN agreements.

TRADE AND BILL PAYABLES

Trade and bill payables primarily represent the Group's obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers, including subcontracting expenses and cost of materials.

Trade and bill payables of the Group increased by approximately 82.4% from RMB153.1 million as at 31 December 2019 to RMB279.2 million as at 31 December 2020, mainly due to the increase in expenses payable to suppliers as a result of increased GFA under management.

OTHER PAYABLES AND ACCRUALS

The Group's other payables and accruals primarily consist of (i) advances due to related parties, which are non-trade in nature, and advances due to third parties, which are trade in nature; (ii) accrued payroll; (iii) other tax payables, which mainly include VAT; and (iv) interest payables.

Other payables and accruals of the Group decreased by approximately 55.4% from RMB1,245.3 million as at 31 December 2019 to RMB555.2 million as at 31 December 2020, mainly due to decrease in advances due to related parties as the Group gradually settled advances from related parties as customers' better satisfaction.

CONTRACT LIABILITIES

Contract liabilities primarily consist of advances of property management fees and other service fees. The Group's contract liabilities increased by approximately 32.8% from RMB291.2 million as at 31 December 2019 to RMB386.8 million as at 31 December 2020, mainly due to (i) the increase in the number of properties the Group managed during the year; and (ii) the increase in the Group's ability to receive prepayment of property management fees and other service fees.

INDEBTEDNESS

Borrowings

As at 31 December 2020, the Group had nil borrowings (31 December 2019: approximately RMB1,830.0 million).

The following table sets forth the components of the Group's interest-bearing borrowing as at the dates indicated:

	As at 31 December	
	2020	2019
	(RMB'000)	(RMB'000)
Borrowings		
– Non-current	–	1,145,000
– Current	–	685,000
	<u>–</u>	<u>1,830,000</u>
Total	<u><u>–</u></u>	<u><u>1,830,000</u></u>

The following table sets forth the maturity profiles of the Group's total indebtedness as at the dates indicated:

	As at 31 December	
	2020	2019
	(RMB'000)	(RMB'000)
Repayable within one year	–	685,000
Repayable in the second year	–	272,000
Repayable within two to five years	–	873,000
	<u>–</u>	<u>1,830,000</u>
Total	<u><u>–</u></u>	<u><u>1,830,000</u></u>

GEARING RATIO

As the Group had nil borrowings as at 31 December 2020, the net gearing ratio (as calculated by total interest-bearing bank borrowings as at the end of respective periods divided by total equity as at the same date) was nil as at 31 December 2020 (31 December 2019: approximately 3.62 times).

PLEDGE OF ASSETS

In 2015 and 2018, Jinke Property entered into asset-backed securities (“ABS”) agreements and asset-backed notes (“ABN”) agreements with independent third party asset management companies, respectively. The ABS and ABN were secured by the pledge of the rights to receive the property management fees from certain properties under the Group's management and an undertaking from Jinke Property that it would pay any difference between the amounts paid by the Group and the outstanding amount due under the ABS agreements and ABN agreements.

On 14 August 2020, all the outstanding principal amount together with the related interests of the ABS and ABN were terminated by Jinke Property, and the pledge of the Group's future rights of receiving management fees for certain properties as mentioned above was released accordingly.

As at 31 December 2020, the Group did not have any pledged assets.

FOREIGN EXCHANGE RISKS

The Group's businesses are principally conducted in RMB, which is the functional currency of the Group. Foreign currency transaction included mainly receipts of proceeds from the Listing on the Main Board of the Stock Exchange and payment of professional fees which are dominated in HK\$. As at 31 December 2020, non-RMB assets are cash and cash equivalents of RMB5,638,409,000 denominated in HK\$. Fluctuation of the exchange rates of RMB against foreign currency could affect the Group's results of operations. The Group currently does not use any financial instruments to hedge against exchange rate risk. However, the management of the Group will continue to keep track of exchange rate risk and take prudent measures to mitigate exchange rate risk where necessary.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

COMMITMENTS

As at 31 December 2020, the Group did not have any capital commitments.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, the Group had undergone acquisitions and disposals of subsidiaries for the purpose of the reorganisation in preparation for the Listing. Please refer to the Prospectus for further details.

Save as disclosed in the Prospectus, the Company has no other significant investments or significant acquisitions of subsidiaries, associates and joint ventures in 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 31 December 2020, the Company had not used any of the net proceeds of the Listing. The net proceeds are currently held in the form of bank deposits.

Save as disclosed in this announcement, the Group did not have any other immediate plans for material investments and capital assets as at 31 December 2020.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had 8,758 employees. For the year ended 31 December 2020, the staff cost recognised as expenses of the Group amounted to RMB1,095.1 million (31 December 2019: RMB1,116.1 million).

The Group enters into individual employment contracts with its employees to cover matters such as wages, salaries, benefits and terms for termination. The Group generally formulates its employees' remuneration package to include a salary, bonus and various allowances. In general, the Group determines employee salaries based on each employee's qualification, position and seniority. The Group has designed a periodic review system to assess the performance of its employees, which forms the basis of its determination on salary raise, bonus and promotion.

The remuneration policy of the Group is to reward its employees based on, among other things, the Group's operating results, individual performance and comparable market statistics. The Group offers its employees competitive wages and benefits, systematic training opportunities and internal upward mobility, so as to attract and retain quality staff. In order to retain talents for achieving the Group's strategic and operational goals, the Company has adopted the 2020 Employee Stock Ownership Plan on 7 April 2020. As required by the relevant PRC laws and regulations, the Group makes contributions to social insurance fund (including pension fund, medical insurance, un-employment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of its PRC employees.

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held in independently administrated funds managed by the relevant governments.

In determining the remuneration of the Directors, the Board will make reference to the proposal of the Remuneration Committee, taking into account, among others, their respective duties and responsibilities, individual performance and the prevailing market conditions.

The Group provides systematic and extensive training programs to its employees and knowledge of industry quality standards and work place safety standards to enhance their technical and service skills. In addition, the Group provides orientation trainings to new hires, introducing them to its corporate culture, procuring them to adapt to teamwork and showing them videos to visually demonstrate its service standards and procedures. Each of the fresh graduate employees is also assigned an experienced manager to serve as their mentors, who provide tailored coaching and guidance. The Group provides online training courses and regular seminars on various aspects of its business operations, such as quality control and customer relationship management, to its employees.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group did not have any other significant event subsequent to 31 December 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and applied the corporate governance code (the “**Corporate Governance Code**”) contained in Appendix 14 to Listing Rules as its own code on corporate governance.

The roles of the chairman and the chief executive officer of the Company have not been separated as required by Code Provision A.2.1 of the Corporate Governance Code. The roles of the chairman and president of the Company are both performed by Mr. Xia Shaofei, an executive Director. The Board believes that vesting the roles of both chairman and president in the same individual enables the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Xia Shaofei’s extensive industrial experience and significant role in the historical development of the Group, the Board believes that it is beneficial to the business prospects of the Group that Mr. Xia Shaofei continues to act as the chairman and president of the Group following the Listing Date, and that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive directors and independent non-executive Directors.

The Company aims to achieve high standards of corporate governance which are crucial to its development and would safeguard the interests of its Shareholders. To accomplish this, save as the deviation from code provision A.2.1 of the Corporate Governance Code as disclosed above, and, to the best knowledge of the Directors, the Company had complied with all other applicable code provisions under the Corporate Governance Code since the Listing Date and up to 31 December 2020. Further information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as the guidelines for the Directors’ and Supervisors’ dealings in the securities of the Company since the Listing. Following specific enquiries to each of the Directors and Supervisors, all the Directors and Supervisors have confirmed their compliance with the required standards set out in the Model Code since the Listing Date and up to 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Company's initial public offering as described in the Prospectus and the additional 19,936,700 H Shares allotted and issued on 15 December 2020 as a result of the full exercise of the Over-allotment Option on 10 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 31 December 2020.

ANNUAL GENERAL MEETING

The 2020 AGM is proposed to be held on Tuesday, 25 May 2021. A notice convening the 2020 AGM will be published and despatched in the manner as required by the Listing Rules in due course.

FINAL DIVIDEND

The Board recommends the payment of a Final Dividend of RMB0.5 per Share (before tax) in the form of cash for the year ended 31 December 2020, totaling approximately RMB326.4 million, to the Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 15 June 2021. If the resolution for the proposed Final Dividend is passed at the 2020 AGM, the proposed Final Dividend is expected to be paid on or before Friday, 25 June 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend, speak and vote at the 2020 AGM and the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed as appropriate as set out below:

For determining the entitlement to attend, speak and vote at the 2020 AGM

For the purpose of determining the Shareholders' eligibility to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2020 AGM, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 18 May 2021.

For determining the entitlement to the proposed final dividend

For the purpose of determining the entitlement of the Final Dividend, the register of members of the Company will be closed from Wednesday, 9 June 2021 to Tuesday, 15 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitling the Final Dividend, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 8 June 2021.

AUDIT COMMITTEE

The Board established an Audit Committee with written terms of reference in compliance with the Corporate Governance Code. The terms of reference of the Audit Committee has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.jkpsc.cn/>).

The primary duties of the Audit Committee are to (i) review and supervise the financial reporting process and internal control system of the Group, risk management and internal audit; (ii) provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Audit Committee consists of three members, namely Mr. Chan Chi Fung Leo (陳志峰), Mr. Liang Zhongtai (梁忠太) and Mr. Cao Guohua (曹國華). The chairman of the audit committee is Mr. Chan Chi Fung Leo, who is an independent non-executive Director of our Company and has been a member of Hong Kong Institute of Certified Public Accountants since October 2005.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee has discussed with the management and the external auditor of the Company and has reviewed the annual results of the Group for the year ended 31 December 2020 together with the accounting standards and practices adopted by the Group. The Audit Committee has agreed with the management of the Company on the annual results of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statements of profit or loss, consolidated statements of other comprehensive income, consolidated statements of financial position, and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at <http://www.jkpsc.cn/>. The Company's 2020 annual report will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong, 24 March 2021

As at the date of this announcement, the Board comprises Mr. Xia Shaofei, Mr. Luo Chuansong and Mr. Xu Guofu as executive directors, Mr. Luo Licheng, Mr. Liang Zhongtai and Mr. Li Nan as non-executive directors, and Mr. Cao Guohua, Ms. Yuan Lin and Mr. Chan Chi Fung Leo as independent non-executive directors.

GLOSSARY AND DEFINITION

In this announcement, unless the context otherwise requires, the following words and expressions have the following meanings.

“2020 AGM”	the annual general meeting of the Company for 2020 to be held on Tuesday, 25 May 2021
“2020 Employee Stock Ownership Plan”	the employee stock ownership plan adopted by the Company on 7 April 2020
“Articles of Association” or “Articles”	the articles of association of the Company
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China
“Company”	Jinke Smart Services Group Co., Ltd.* (金科智慧服務集團股份有限公司), a limited liability company established in the PRC on 18 July 2000 and converted into a joint stock company with limited liability on 28 May 2020, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 9666)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and unless the context requires otherwise, refers to Jinke Property
“Director(s)”	the director(s) of the Company
“Domestic Shares”	the ordinary shares in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Final Dividend”	the final dividend of RMB0.5 per Share (before tax) as proposed by the Board for the year ended 31 December 2020
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“H Shares”	the overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange

“H Share Registrar”	Tricor Investor Services Limited
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Administrative Region of the PRC
“Independent Third Parties”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates (within the meaning of the Listing Rules)
“Jinke Property”	Jinke Property Group Co., Ltd.* (金科地產集團股份有限公司), a joint stock company with limited liability established in the PRC on 29 March 1994, listed on the Shenzhen Stock Exchange (stock code: 000656.SZ) and the Controlling Shareholder
“Jinke Property Group”	Jinke Property and its subsidiaries, which exclude the Group
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	17 November 2020, the date on which dealings in the H Shares on the Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Over-allotment Option”	the option granted by the Company to allot and issue up to 19,936,700 additional H Shares in connection with the global offering of the Company as disclosed in the Prospectus
“Prospectus”	the prospectus of the Company dated 5 November 2020
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H Shares

“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	The supervisor(s) of the company
“Year”	the year ended 31 December 2020
“%”	per cent