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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 UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

RESULTS HIGHLIGHTS

1. Revenue of the Group for the six months ended 30 June 2021 was approximately RMB2,585.7 million, representing an increase of approximately 88.8% from approximately RMB1,369.6 million for the same period in 2020.
2. As at 30 June 2021, the contracted GFA of the property management services of the Group was approximately 314.9 million sq.m., among which 58.3% are properties developed by Independent Third Parties, and such proportion of properties developed by Independent Third Parties represented an increase of 1.9% as compared with that as at 31 December 2020. As at 30 June 2021, GFA under management was approximately 186.8 million sq.m., among which 51.8% are properties developed by Independent Third Parties, and such proportion of properties developed by Independent Third Parties represented an increase of 3.2% as compared with that as at 31 December 2020.
3. Gross profit of the Group for the six months ended 30 June 2021 was approximately RMB840.2 million, representing an increase of approximately 94.0% from approximately RMB433.0 million for the same period in 2020. Gross profit margin for the six months ended 30 June 2021 was 32.5%, representing an increase of 0.9 percentage point as compared with 31.6% for the same period in 2020.
4. Profit of the Group for the six months ended 30 June 2021 was approximately RMB541.8 million, representing an increase of approximately 79.1% from approximately RMB302.5 million for the same period in 2020. Net profit margin of the Group was 21.0% for the six months ended 30 June 2021.
5. Profit attributable to owners of the Company for the six months ended 30 June 2021 was approximately RMB529.8 million, representing an increase of approximately 80.3% as compared with approximately RMB293.8 million for the same period in 2020.
6. As at 30 June 2021, the Group had cash and term deposits of approximately RMB6,974.4 million. During the six months ended 30 June 2021, net cash inflow from operating activities of the Group amounted to approximately RMB673.3 million.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Jinke Smart Services Group Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative figures for the six months ended 30 June 2020, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
	Note	RMB'000 (Unaudited)	RMB'000 (Audited)
Revenue	4	2,585,740	1,369,604
Cost of sales	5	(1,745,499)	(936,570)
Gross profit		840,241	433,034
Selling and marketing expenses	5	(3,252)	(689)
Administrative expenses	5	(186,263)	(89,940)
Net impairment losses on financial assets		(3,383)	(2,327)
Other income	6	10,112	22,661
Other (losses)/gains – net	7	(14,626)	682
Operating profit		642,829	363,421
Finance income		17,601	63,373
Finance costs		(217)	(62,283)
Finance income – net	8	17,384	1,090
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method		259	(71)
Profit before income tax		660,472	364,440
Income tax expenses	9	(118,711)	(61,945)
Profit and total comprehensive income for the period		541,761	302,495
Profit and total comprehensive income attributable to:			
Owners of the Company		529,813	293,756
Non-controlling interests		11,948	8,739
		541,761	302,495
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	10	0.81	0.64

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		As at 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
	<i>Note</i>		
Assets			
Non-current assets			
Property, plant and equipment		53,046	34,345
Goodwill	11	133,149	–
Other intangible assets	11	55,714	9,988
Investments in associates and joint ventures		13,326	4,850
Prepayments	13	–	6,049
Deferred income tax assets		4,248	4,946
		<u>259,483</u>	<u>60,178</u>
Current assets			
Derivative financial instruments	12	33,566	–
Inventories		15,314	16,255
Other assets		53,380	60,602
Trade and bill and other receivables and prepayments	13	2,175,128	1,574,505
Restricted cash		74,791	364
Term deposits		709,061	–
Cash and cash equivalents	14	6,265,188	6,840,339
		<u>9,326,428</u>	<u>8,492,065</u>
Total assets		<u><u>9,585,911</u></u>	<u><u>8,552,243</u></u>
Equity			
Equity attributable to owners of the Company			
Share capital		652,848	652,848
Other reserves		5,993,290	5,993,270
Retained earnings		771,423	568,034
		<u>7,417,561</u>	7,214,152
Non-controlling interests		<u>57,545</u>	<u>38,311</u>
Total equity		<u><u>7,475,106</u></u>	<u><u>7,252,463</u></u>

		As at 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
	<i>Note</i>		
Liabilities			
Non-current liabilities			
Lease liabilities		7,828	3,685
Deferred income tax liabilities		14,774	676
		<u>22,602</u>	<u>4,361</u>
Current liabilities			
Trade and bill and other payables	15	1,486,230	834,419
Lease liabilities		2,895	1,748
Contract liabilities	4	492,458	386,775
Current income tax liabilities		106,620	72,477
		<u>2,088,203</u>	<u>1,295,419</u>
Total liabilities		<u>2,110,805</u>	<u>1,299,780</u>
Total equity and liabilities		<u><u>9,585,911</u></u>	<u><u>8,552,243</u></u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1 GENERAL INFORMATION

Jinke Smart Services Group Co., Ltd. was established in the PRC as a limited liability company on 18 July 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 on 17 November 2020. 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).

These condensed consolidated financial information are presented in Renminbi ("RMB"), unless otherwise stated.

The interim condensed consolidated financial statements have been reviewed, but not audited, by PricewaterhouseCoopers, the external auditor of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting".

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this information is to be read in conjunction with the annual report for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and any public announcement made by the Company during the interim reporting period.

2.1.1 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings, the adoption of new and amended HKFRSs effective for the financial period beginning on 1 January 2021, Note 2.1.1(c) and Note 2.1.1(d) below.

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the financial period beginning on 1 January 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021

The adoption of these standards and the new accounting policies disclosed did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) *New standards and amendments not yet effective for the financial period beginning on 1 January 2021 and not early adopted by the Group*

Up to the date of issuance of this announcement, the Hong Kong Institute of Certified Public Accountants 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:

		Effective for annual periods beginning on or after
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts – Cost to Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
Annual improvements to HKFRS standards 2018 – 2020	Annual improvements to HKFRS standards 2018 – 2020	1 January 2022
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contract	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HK Int 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 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.

(c) *Intangible assets*

Goodwill

Goodwill is recognized through business combinations during the six months ended 30 June 2021. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Customer relationship

Customer relationship is recognized through business combinations during the six months ended 30 June 2021. Customer relationship acquired in a business combination is recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortization is calculated using the straight-line method over the expected life of 10 years for the customer relationship.

(d) *Derivatives*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other (losses)/gains-net.

3 SEGMENT INFORMATION

Management has determined operating segments based on the reports reviewed by the chief operating decisionmaker (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 six months ended 30 June 2021, 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 six months ended 30 June 2021, 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 at 30 June 2021, cash and cash equivalents of HK\$1,917,522,000 (equivalent to RMB1,595,531,000) 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.

4 REVENUE

Revenue mainly comprises 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 six months ended 30 June 2020 and 2021 is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Recognized over time		
– Property management services	1,309,579	925,381
– Value-added services to non-property owners	452,989	292,227
– Community value-added services	517,607	54,865
– Smart living technology solutions	57,030	26,428
	2,337,205	1,298,901
Recognized at a point in time		
– Value-added services to non-property owners	114,398	–
– Community value-added services	134,137	70,703
	248,535	70,703
	2,585,740	1,369,604

For the six months ended 30 June 2020 and 2021 respectively, revenue from the Jinke Property and its subsidiaries (the “Jinke Property Group”) contributed 21% and 21% of the Group's revenue, respectively. Other than the Jinke Property Group, the Group has a large number of customers, none of whom contributed 4% or more of the Group's revenue.

Contract liabilities

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

	As at	As at
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Property management services	456,770	383,379
Community value-added services	35,688	3,396
	492,458	386,775

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Employee benefit expenses	691,532	499,269
Greening and cleaning expenses	280,407	176,241
Tourism services costs	226,212	370
Security charges	176,945	105,335
Cost of goods sold	131,136	63,669
Sub-contract expenses for property agency services	100,482	–
Maintenance costs	79,414	50,171
Utilities	62,119	42,618
Raw materials	34,224	17,196
Construction costs	17,552	1,942
Office expenses	16,878	13,358
Travelling and entertainment expenses	14,039	7,098
Taxes and other levies	12,690	6,188
Advertising expenses	12,151	2,481
Depreciation and amortization charges	8,277	6,321
Operating lease payments	4,024	3,298
Audit services		
– Audit services	1,485	35
– Non-audit services	170	–
Others	65,277	31,609
	<hr/>	<hr/>
Total cost of sales, selling and marketing expenses and administrative expenses	1,935,014	1,027,199
	<hr/>	<hr/>

6 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest income from loans to related parties	–	15,281
Government grants (<i>Note (a)</i>)	4,537	3,609
Value-added tax deductible	5,575	3,771
	<hr/>	<hr/>
	10,112	22,661
	<hr/>	<hr/>

- (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 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net foreign exchange losses	(47,367)	–
Net fair value gains on financial assets at fair value through profit or loss (Note 12)	33,566	–
Gains from bargain purchase	2,011	–
Losses on disposal of subsidiaries	–	(1,242)
Losses on disposal of property, plant and equipment	(387)	(44)
(Losses)/gains on disposal of other assets	(442)	1,538
Others	(2,007)	430
	<u>(14,626)</u>	<u>682</u>

8 FINANCE INCOME – NET

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Finance income		
Interest income from bank deposits	17,601	1,190
Interest income from loans to related parties	–	62,183
	<u>17,601</u>	<u>63,373</u>
Finance costs		
Interest expense of borrowings	–	(62,183)
Interest expense of lease liabilities	(217)	(100)
	<u>(217)</u>	<u>(62,283)</u>
Finance income – net	<u>17,384</u>	<u>1,090</u>

9 INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current income tax		
– PRC corporate income tax	111,589	60,864
Deferred income tax		
– PRC corporate income tax	7,122	1,081
	<u>118,711</u>	<u>61,945</u>

The income tax expense for the six months ended can be reconciled to the profit before income tax per the interim condensed consolidated statement of comprehensive income as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Profit before income tax	660,472	364,440
Tax charge at effective rate applicable to profits in the respective group entities	118,274	61,931
Tax effects of:		
– Expenses not deductible for tax purposes	282	317
– Tax effect of super deduction	(143)	(480)
– The impact of change in tax rate applicable to subsidiaries	298	177
Total income tax expenses	118,711	61,945

The effective income tax rate was 17.0% and 18.0% for the six months ended 30 June 2020 and 2021 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.

10 EARNINGS PER SHARE

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 six months ended 30 June 2020 and 2021 respectively.

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2020 and 2021 respectively. Diluted earnings per share is equal to basic earnings per share.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Profit attributable to owners of the Company (RMB'000)	529,813	293,756
Weighted average number of ordinary shares (in thousands)	652,848	459,925
Basic and diluted earnings per share for profit attributable to the owners of the Company during the six months ended (expressed in RMB per share)	0.81	0.64

11 INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationship RMB'000	Software and others RMB'000	Total RMB'000
As at 31 December 2019 (Audited)				
Cost	–	–	9,356	9,356
Accumulated depreciation	–	–	(4,339)	(4,339)
Net book amount	–	–	5,017	5,017
Six months ended 30 June 2020 (Audited)				
Opening net book amount	–	–	5,017	5,017
Additions	–	–	2,139	2,139
Amortization	–	–	(690)	(690)
Closing net book amount	–	–	6,466	6,466
As at 30 June 2020 (Audited)				
Cost	–	–	11,495	11,495
Accumulated amortization charge	–	–	(5,029)	(5,029)
Net book amount	–	–	6,466	6,466
As at 31 December 2020 (Audited)				
Cost	–	–	16,758	16,758
Accumulated depreciation	–	–	(6,770)	(6,770)
Net book amount	–	–	9,988	9,988
Six months ended 30 June 2021 (Unaudited)				
Opening net book amount	–	–	9,988	9,988
Additions	–	–	5,548	5,548
Acquisition of subsidiaries	133,149	42,250	–	175,399
Amortization	–	(562)	(1,510)	(2,072)
Closing net book amount	133,149	41,688	14,026	188,863
As at 30 June 2021 (Unaudited)				
Cost	133,149	42,250	22,353	197,752
Accumulated amortization charge	–	(562)	(8,327)	(8,889)
Net book amount	133,149	41,688	14,026	188,863

No intangible asset is restricted or pledged as security for liabilities as at 30 June 2021 (31 December 2020: nil).

12 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are only used for hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as “held for trading” for accounting purposes and are accounted for at fair value through profit or loss. The Group has the following derivative financial instruments:

	As at 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
Current assets		
Foreign currency forwards – held for trading	33,566	–

13 TRADE AND BILL RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables		
– Related parties	118,496	294,683
– Third parties	1,181,602	772,736
	1,300,098	1,067,419
Less: allowance for impairment of trade receivables	(14,950)	(11,675)
	1,285,148	1,055,744
Bill receivables		
– Related parties	2,886	–
– Third parties	2,750	1,084
	5,636	1,084

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Up to 1 year	1,279,530	1,017,458
1 to 2 years	13,255	43,470
2 to 3 years	4,949	4,015
3 to 4 years	1,625	2,395
4 to 5 years	708	52
Over 5 years	31	29
	<u>1,300,098</u>	<u>1,067,419</u>

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. As at 30 June 2021, a provision of RMB14,950,000 was made against the gross amounts of trade receivables (31 December 2020: RMB11,675,000).

14 CASH AND CASH EQUIVALENTS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Cash at bank and on hand		
– Denominated in HK\$ (Note(a))	3,212,216	5,638,409
– Denominated in RMB	<u>3,052,972</u>	<u>1,201,930</u>
	<u>6,265,188</u>	<u>6,840,339</u>

- (a) As at 30 June 2021, the balance of proceeds of cash and cash equivalents from the initial public offering of HK\$3,860,465,000, equivalent to RMB3,212,216,000, was temporarily deposited in the Group's bank accounts in Hong Kong and the PRC.

15 TRADE AND BILL PAYABLES

	As at 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
Trade payables (<i>Note (a)</i>)		
– Related parties	2,093	493
– Third parties	480,597	270,810
	<u>482,690</u>	<u>271,303</u>
Bill payables		
– Third parties	21,129	7,936
	<u>21,129</u>	<u>7,936</u>

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

	As at 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
Up to 1 year	481,091	268,270
1 to 2 years	655	2,280
2 to 3 years	288	165
Over 3 years	656	588
	<u>482,690</u>	<u>271,303</u>

16 DIVIDENDS

Pursuant to the approval at the annual general meeting of shareholders of the Company on 25 May 2021, a dividend of RMB0.50 per ordinary share, amounting to RMB326,424,050 was declared out of the Company's retained earnings.

The Board resolved not to declare any interim dividend for the Period (for the six months ended 30 June 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group is a leading, comprehensive and “smart” property management service provider in the PRC and ranked first in the Southwestern China Region. Relying on its leading overall strength, the Group was recognized by China Index Academy (“CIA”) as a top ten property management company in China for six consecutive years, and the Group’s market share in the Southwestern China Region have ranked first for six consecutive years. In the first half of 2021, relying on its leading service quality, the customer satisfaction rate of the residential properties managed by the Group was over 90% for nine consecutive years, and the Group was awarded the “Top 2 among the Top 100 China Leading Property Management Companies in terms of Quality Service” (中國物業服務百強服務質量領先企業Top 2) and the “Top 2 among the Top 100 China Leading Property Management Companies in terms of Customer Satisfaction Rate” (中國物業服務百強滿意度領先企業Top 2) by CIA. Based on its leading technological strength, the Group was awarded the “Top 3 among the Leading Property Management Enterprise in Terms of Technological Capabilities” (中國物業科技賦能領先企業Top 3). In March 2021, the Company was included as a constituent stock of the Hang Seng Composite Index, and in June 2021, it was included as a constituent stock of the FTSE Russell Flagship Index, which demonstrated the full recognition of the capital markets.

The four main business lines of the Group are: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) smart living technology solutions. The Group adheres to the development strategy of service + technology, service + ecology, insists on customer satisfaction as the core, continues to improve service quality and build community ecology, and strives to become a world-class comprehensive and “smart” service provider.

FINANCIAL REVIEW

Revenue

During the Period, 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 periods indicated:

	As at or for the six months ended 30 June			
	2021		2020	
	(RMB’000)	(%)	(RMB’000)	(%)
Property management services	1,309,579	50.6	925,381	67.6
Value-added services to non-property owners	567,387	21.9	292,227	21.3
Community value-added services	651,744	25.2	125,568	9.2
Smart living technology solutions	57,030	2.3	26,428	1.9
Total	<u>2,585,740</u>	<u>100.0</u>	<u>1,369,604</u>	<u>100.0</u>

The Group's revenue increased by approximately 88.8% from RMB1,369.6 million for the six months ended 30 June 2020 to RMB2,585.7 million for the six months ended 30 June 2021. This increase was mainly attributable to:

- (i) the increase in revenue from property management services by approximately 41.5% from RMB925.4 million for the six months ended 30 June 2020 to RMB1,309.6 million for the six months ended 30 June 2021, which was primarily driven by the Group's business expansion, of which the GFA under management increased by approximately 44.0% from 129.7 million sq.m. as at 30 June 2020 to 186.8 million sq.m. as at 30 June 2021;
- (ii) the increase in revenue from value-added services to non-property owners by approximately 94.2% from RMB292.2 million for the six months ended 30 June 2020 to RMB567.4 million for the six months ended 30 June 2021, which was primarily driven by (a) the increase in sales assistance services provided to property developers as a result of an increase in the number of sales offices; (b) the COVID-19's impact is easing off in China; and (c) the breakthrough achieved by the Group in the development of the commercial property sales agency business in the first half of 2021;
- (iii) the increase in revenue from community value-added services by approximately 419.0% from RMB125.6 million for the six months ended 30 June 2020 to RMB651.7 million for the six months ended 30 June 2021, which was primarily driven by (a) the increase in scale of the Group's property management business which led to an increase in customer base; (b) the expansion of the Group's community value-added service offerings to residents and so on; and
- (iv) the increase in revenue from smart living technology solutions by approximately 115.8% from RMB26.4 million for the six months ended 30 June 2020 to RMB57.0 million for the six months ended 30 June 2021, which was primarily driven by (a) the increase in smart solutions that the Group developed for Independent Third Parties; and (b) 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 Group provides a series of property management services to property owners, property developers, and residents, including cleaning, order maintenance, greening, repair and maintenance services, etc. The Group is committed to providing property owners and residents with services and experience of better quality by leveraging on its rich service experience and attentive services, so as to gain a good market reputation, and expand a large number of third-party residential properties. Relying on its advanced technical capabilities in property services, the Group has extended community life services to urban comprehensive services, and formed a multi-format full-service system covering mid-to-high-end commercial and office buildings, industrial parks, schools, hospitals, public construction, and urban services.

As at 30 June 2021, the Group has completed a national layout in 26 provinces and 166 cities in the PRC. The Group managed a total of 496 residential projects and 292 non-residential projects. The total contracted GFA was approximately 315 million sq.m., of which approximately 58% was attributable to Independent Third Parties. In the first half of 2021, the newly added contracted GFA was approximately 38 million sq.m., of which 73% was attributable to Independent Third Parties; the total GFA under management was approximately 187 million sq.m., of which approximately 52% was attributable to Independent Third Parties. In the first half of 2021, the newly added GFA under management was approximately 31 million sq.m.. The number of the Group's third-party contracts and the total GFA under management steadily increased, and its strong market expansion capability has been further verified. The GFA under management in the core area of the Southwestern China Region reached 98.9 million sq.m., accounting for 53% of the total GFA under management, which further showed the urban density effect. During the Period, the Group's revenue from property management services was approximately RMB1,309.6 million, representing an increase of approximately 41.5% over the same period of last year. The unit price of property management fees continued to rise to RMB2.22 per month, the gross profit margin increased by 0.6 percentage point to 28.4%, and the collection rate remained at a high level of 90%.

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 periods indicated:

	As at or for the six months ended 30 June			
	2021		2020	
	GFA under management (sq.m.'000)	Revenue (RMB'000)	GFA under management (sq.m.'000)	Revenue (RMB'000)
Property developed by Jinke Property Group ⁽¹⁾	78,936	723,343	60,481	559,021
Properties developed by Jinke Property Group's joint ventures and associates ⁽²⁾	11,025	63,983	6,396	33,122
Properties developed by Independent Third Parties ⁽³⁾	96,832	522,253	62,867	333,238
Total	<u>186,793</u>	<u>1,309,579</u>	<u>129,744</u>	<u>925,381</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 Period, the average property management fee of projects developed by Jinke Property Group was RMB2.57 per sq.m. per month (30 June 2020: RMB2.39) and the average property management fee of projects developed by Independent Third Parties was RMB1.87 per sq.m. per month (30 June 2020: RMB1.66). As at 30 June 2021, the Group achieved 90% collection rate of property management fee as a result of the Group's high service satisfaction rate.

As at 30 June 2021, on the basis of the rapid growth in the scale of its property management services, the Group accelerated the development and diversification of its business. During the Period, the Group's revenue from property management services derived from non-residential properties was approximately RMB243.3 million, representing an increase of approximately 59.4% as compared with the same period in 2020. GFA under management of non-residential properties increased to 34.0 million sq.m., accounting for approximately 18.2% of the total GFA under management of the Group and representing an increase of 2% as compared with the same period in 2020. The Group had 292 property projects under management, among which 138 projects were commercial and office buildings, 57 projects were industrial parks and 97 projects were public and other properties.

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

	As at or for the six months ended 30 June			
	2021		2020	
	GFA under management (sq.m. '000)	Revenue (RMB'000)	GFA under management (sq.m. '000)	Revenue (RMB'000)
Residential properties	152,770	1,066,287	108,700	772,723
Non-residential properties				
– Commercial properties and office buildings	6,926	112,230	5,749	60,128
– Public and other properties	18,909	90,988	8,990	58,674
– Industrial parks	8,188	40,074	6,305	33,856
Subtotal	34,023	243,292	21,044	152,658
Total	186,793	1,309,579	129,744	925,381

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 periods indicated by geographic region:

	As at or for the six months ended 30 June			
	2021		2020	
	GFA under management (sq.m.'000)	Revenue (RMB'000)	GFA under management (sq.m.'000)	Revenue (RMB'000)
Southwestern China Region ⁽¹⁾	98,917	766,756	69,913	549,461
Eastern and Southern China Region ⁽²⁾	41,223	280,804	28,441	216,266
Central China Region ⁽³⁾	34,534	165,112	24,198	112,763
Other Regions ⁽⁴⁾	12,119	96,907	7,192	46,891
Total	186,793	1,309,579	129,744	925,381

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.

Value-added services to non-property owners

The Group provides a series of value-added services to non-property owners (mainly including property developers and other property management companies), including: (i) sales assistance services, (ii) pre-delivery services such as cleaning, inspection and acceptance, maintenance and other services at the pre-delivery stage, (iii) consultancy and other services such as providing property developers and property management companies with project planning and management consulting services, as well as house underwriting and selling on commission services of remaining buildings. During the Period, revenue from value-added services to non-property owners was approximately RMB567.4 million, representing an increase of 94.2% as compared with the same period in 2020.

The following table sets forth the component of our revenue from value-added services to non-property owners for the periods indicated:

	For the six months ended 30 June			
	2021		2020	
	(RMB'000)	(%)	(RMB'000)	(%)
Sales assistance services	369,802	65.2	246,890	84.5
Pre-delivery services	85,346	15.0	42,388	14.5
Consultancy and other services	112,239	19.8	2,949	1.0
Total	567,387	100	292,227	100

Community value-added services

The Group is committed to providing a full life-cycle community value-added services to property owners and residents, and building a community ecosystem with focuses on “food, accommodation, transportation, travel, shopping and education”, to meet people’s growing needs for a better life. The Group has vigorously developed community value-added services, improved service quality and extended the service chains by introducing professional talents, and increased the penetration rate of its business into communities through the online + offline full-staff marketing model. The Group’s community value-added services are divided into four major sections: (i) home-living services, (ii) community management services, (iii) comprehensive living and traveling services, and (iv) home-decoration services.

The following table sets forth the component of our revenue from community value-added services for the periods indicated:

	For the six months ended 30 June			
	2021		2020	
	(RMB'000)	(%)	(RMB'000)	(%)
Home-living services	132,110	20.3	62,798	50.0
Community management services	205,255	31.5	32,767	26.1
Home-decoration services	48,759	7.5	14,587	11.6
Comprehensive living and traveling services	265,620	40.7	15,416	12.3
Total	651,744	100	125,568	100

During the Period, the Group's revenue from community value-added services was approximately RMB651.7 million, representing an increase of approximately 419.0% over the same period of last year, accounting for approximately 25.2% of the Group's total revenue and recorded a significant increase of 16.0 percentage points over the same period of last year. Relying on the huge flow of online + offline property owners, the high-density GFA under management, rich community life scenarios and the advantages of having a full local supply chain, the Group has further improved the coverage and penetration of its community value-added services, and continued to promote the good relationships with property owners. The Group's core community value-added business includes the home-living services segment, which is operated under the Group's sub-brand "Blessed Neighborhood (金科金選)", provides high-quality and low-cost community group buying services. During the Period, revenue from the home-living services segment was approximately RMB132.1 million, representing an increase of approximately 110.4% over the same period of last year. The home-decoration services segment, which is operated under the Group's sub-brand "Jinke Yuejia (金科悦家)", provides one-stop complete furnishing and decoration services such as hard furnishing, soft furnishing, and home furnishing product sales. The Group took advantage of the industrial chain of its parent company, Jinke Property, and conducted in-depth business cooperation, through specialization, branding, and establishment of teams, bringing forward property owners' house-buying process and holding activities such as "millions of owners visiting factories". The home-decoration services segment realized revenue of approximately RMB48.8 million during the Period, representing a year-on-year increase of 234.4%. Operated under the Group's sub-brand "Kangcheng Guolv (康程國旅)", the comprehensive living and travelling services segment provides full-chain travel services, including tourism products, and services for travels, hotels, scenic spots, and visa centers. Affected by the repeated outbreaks of the COVID-19 epidemic, tourism business has fluctuated greatly, but the Group seized the opportunity to continue to enhance the resource advantage of the full-chain travel services. During the Period, the Group cooperated with well-known national scenic spots such as Qianhu Miao Village (千戶苗寨) and Baili Dujuan (百里杜鵑) to jointly create a new community-based and social-oriented tourism development model. Through the community media services, the Group provided merchants with value communication services based on huge flow, built a bonding medium between communities, customer groups, and products, and managed nearly 10,000 advertising spots nationwide by attracting top talents in the industry and using online systems. This year, the Group launched an innovative full-chain media customization service. In terms of the real estate brokerage services, the Group utilized the horizontal synergistic effect of real estate to realize the appreciation and preservation of the property owner's assets through its own professional capabilities and taking advantage of its timely updated housing resources.

Smart living technology solutions

The Group mainly provides smart living technology solutions to property developers, property management companies and property owners to achieve the purpose of technology empowerment, quality and efficiency improvement. The Group's smart living technology solutions business mainly includes: (i) providing smart design services to property developers with full-cycle smart solutions for their project construction; (ii) providing smart on-site services to property developers with smart and digital on-site technical services during the housing sales stage, such as implementing the Home-Lift system (生命家系統); and (iii) smart integrated operation platform services by participating in the construction of smart cities, smart government and enterprises, and smart communities through development, customization, installation, and operation and maintenance of IBMS (intelligent building management system).

In the first half of 2021, the Group promoted the reform of mechanization of manpower and the intellectualization of machinery. Through a series of smart technology upgrades such as cloud monitoring, cloud parking, and smart energy consumption management and control, the Group empowered property management to reduce costs and increase efficiency, and continued to improve management refinement level and helped increase its gross profit and gross profit margin. The Group leveraged its leading technological strength to empower business development. The Group further strengthened cooperation with top companies in the industry, enhanced its smart design technological capabilities in Building Information Modeling and digital urban governance, and built three core competencies including Internet of Things (“IoT”), space operating system, and urban space-time engines, in order to obtain third-party digital services. The revenue from smart living technology solutions during the Period was approximately RMB57.0 million, representing a significant year-on-year increase of approximately 115.8%, and the gross profit margin remained high at 49.4%.

OUTLOOK AND FUTURE PLAN

In the field of space management services, the Group will reinforce the urban density strategy, actively respond to mergers and acquisitions opportunities, and improve the quality of diversified services. The Group will seize the opportunity of the market-oriented development of the industry, continue to increase the management scale, reinforce the urban density strategy, consolidate the core niche advantages of the Southwestern China Region, promote development with regional density, reduced costs and improved quality and efficiency, integrate high-quality resources, fully tap the core regional advantages, adhere to internal extension + external growth, and rely on industry-leading external expansion capabilities to continue to strengthen low-cost external expansion. The Group will vigorously develop the non-residential sector, continue to improve the service capabilities of diversified business formats, strengthen the role of large logistics integrated service providers, actively extend urban service projects, and boost the growth potential of multi-channel and multi-business scale. The Group will actively respond to mergers and acquisitions opportunities, focus on the core areas to accelerate the integration of small and medium-sized properties, and continue to increase the market share in the core areas. The Group will actively seek for profitability, business scale, growth potential and other targets that are highly compatible with the Group, and rapidly increase the management scale.

In the field of life services, the Group will do a thorough job in community ecological construction, extend business market development, and build into a better life service provider. The Group will focus on the three sectors of “space, assets and customers”, do a thorough community value-added business, quickly improve the service capacity of its value-added business and extend the service chains by attracting professional talents and acquiring professional companies, so as to further improve the proportion of revenue generated from the value-added business. The Group will focus on the field of major consumption, work around the three core functions of community life service, owner asset operation and community space operation, vigorously develop community group purchase, home renovation and decoration and housing brokerage, consolidate its internal strength to improve the competitiveness of products and services, and transform its business from focusing on the community to focusing on the society; rapidly develop group meal, travel and life supply chain services to improve regional concentration construction, as well as make use of the advantages of online + offline traffic and integrate local upstream and downstream resources to improve customer loyalty, so as to build into a service provider for local better life and strive to meet people’s needs for a better life.

In terms of technology services, the Group will raise the barriers of technological strength and promote the empowerment of digital intelligence and technology to build digital cities. The Group will continue to improve its technological strength, increase investment in product research and development, update its digital intelligence platform based on the front-end business needs, integrate IoT platform, AI platform, data platform and business platform, upgrade and optimize the “TIQI Cloud City” intelligent system, focus on three major fields of image engine, IoT and big data, and cooperate with leading enterprises in the industry to form complementary advantages and raise technological barriers. The Group will make use of its technological advantages to empower business expansion, strengthen the marketability of technological products, provide full-cycle services for marketing account managers, solution experts and delivery and operation and maintenance experts, and expand the business of intelligent cities, intelligent government and enterprises and intelligent communities. The Group will seize the opportunity of the digital transformation of China and actively participate in the construction of digital cities.

FINANCIAL REVIEW

Revenue

As disclosed above, during the Period, the revenue derived from the Group’s 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, was RMB1,310 million, RMB567 million, RMB652 million and RMB57 million, respectively.

COST OF SALES

The Group's cost of sales primarily consists of (i) employee benefit expenses; (ii) greening and cleaning expenses; (iii) tourism service costs; (iv) security charges; (v) cost of goods sold in relation to the Group's shopping services; (vi) sub-contract expenses in relation to the Group's property agency services; (vii) maintenance costs; (viii) utilities; (ix) cost of raw materials; (x) construction costs; (xi) office expenses; (xii) travelling and entertainment expenses; (xiii) taxes and other levies; (xiv) advertising expenses; (xv) depreciation and amortization charges; (xvi) operating lease payments; (xvii) audit services fees; and (xviii) other costs.

The cost of sales of the Group increased by 86.4% from approximately RMB936.6 million for the six months ended 30 June 2020 to approximately RMB1,745.5 million for the six months ended 30 June 2021, which is mainly due to the continuous increase in the GFA under management and the increase in various costs associated with the diversification 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 periods indicated:

	For the six months ended 30 June			
	2021		2020	
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)
Property management services	372,541	28.4	257,656	27.8
Value-added services to non-property owners	210,036	37.0	116,512	39.9
Community value-added services	229,502	35.2	45,995	36.6
Smart living technology solutions	28,162	49.4	12,871	48.7
Total	<u>840,241</u>	<u>32.5</u>	<u>433,034</u>	<u>31.6</u>

Gross profit of the Group increased by 94.0% from approximately RMB433.0 million for the six months ended 30 June 2020 to approximately RMB840.2 million for the six months ended 30 June 2021.

Gross profit margin of the Group increased from 31.6% for the six months ended 30 June 2020 to 32.5% for the six months ended 30 June 2021, which is broadly the same with the gross profit margin for the six months ended 30 June 2020.

Gross profit margin of each business line for the six months ended 30 June 2021 is broadly the same as those for the six months ended 30 June 2020.

OTHER INCOME

The Group's other income primarily consists of (i) government grants, and (ii) value-added tax deductible for service providers.

Other income of the Group decreased by 55.5% from approximately RMB22.7 million for the six months ended 30 June 2020 to approximately RMB10.1 million for the six months ended 30 June 2021, which was primarily due to the interest income received from loans to Jinke Property Group being reduced to zero upon full settlement of all outstanding amounts under the ABS agreements and ABN agreements entered into by Jinke Property with independent third party asset management companies in 2015 and 2018, respectively. Previously, under the ABS agreements and ABN agreements, 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.

OTHER (LOSSES)/GAINS – NET

The Group's other (losses)/gains – net primarily consist of (i) net foreign exchange losses, and (ii) net fair value gains on financial assets at fair value through profit or loss.

For the six months ended 30 June 2021, the Group recorded other net losses of RMB14.6 million, which was primarily attributable to a foreign exchange loss of RMB47.4 million offset by a foreign exchange gain of RMB33.6 million from the foreign exchange rate future contracts to lock-in exchange rates, which demonstrated the effectiveness of the exchange risk management measures adopted by the Group.

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 increased by approximately 107.2% from RMB89.9 million for the six months ended 30 June 2020 to approximately RMB186.3 million for the six months ended 30 June 2021, which were primarily attributable to (i) the increase in the employee benefit expenses as a result of the increase in the number of senior management personnel and corresponding salaries, (ii) the Group experienced lesser benefit from the social security relief policies implemented by local authorities in 2020 to mitigate the impact of the COVID-19, and (iii) the increase in traveling and entertainment expenses as the situation of the COVID-19 pandemic improved.

INCOME TAX EXPENSES

The Group's income tax expenses comprise PRC corporate income tax. Income tax expenses of the Group increased by 91.8% from approximately RMB61.9 million for the six months ended 30 June 2020 to approximately RMB118.7 million for the six months ended 30 June 2021, 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 18.0% for the six months ended 30 June 2021. 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 the customer relationship and goodwill attributable to acquired companies and software. The intangible assets of the Group increased by approximately 1,789.0% from RMB10 million as at 31 December 2020 to RMB188.9 million as at 30 June 2021, mainly due to the increase in customer relationship and goodwill arising from the acquisitions completed by the Group during the Period and 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 22.1% from RMB1,056.8 million as at 31 December 2020 to RMB1,290.8 million as at 30 June 2021, 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 11.9% from RMB60.6 million as at 31 December 2020 to RMB53.4 million as at 30 June 2021, 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) prepaid tax; and (iii) deposit from third parties and utilities from property owners and residents.

Prepayments and other receivables of the Group increased by approximately 70.8% from RMB517.7 million as at 31 December 2020 to RMB884.3 million as at 30 June 2021, mainly due to the increase in prepayments for the Group's diversified business.

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 80.4% from RMB279.2 million as at 31 December 2020 to RMB503.8 million as at 30 June 2021, 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 consist of (i) advances due to third parties, which are trade in nature; (ii) accrued payroll; and (iii) other tax payables, which mainly include VAT.

Other payables and accruals of the Group increased by approximately 77.0% from RMB555.2 million as at 31 December 2020 to RMB982.4 million as at 30 June 2021, mainly due to the increase in the security deposit advanced for bidding and relevant business operations as a result of the increase in the GFA under management and the rapid development of the Group's business diversification.

CONTRACT LIABILITIES

Contract liabilities primarily consist of advances of property management fees and other service fees. The Group's contract liabilities increased by approximately 27.3% from RMB386.8 million as at 31 December 2020 to RMB492.5 million as at 30 June 2021, mainly due to (i) the increase in the number of properties the Group managed during the Period; and (ii) the increase in the Group's ability to receive prepayment of property management fees and other service fees as a result of the owners' relatively high satisfaction rate with the Group's services and the commencement of a gifting initiative to reward owners for the prepayment of property management fees.

LIQUIDITY AND CAPITAL RESOURCES

The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with cash generated from operations and proceeds from the Listing.

Cash Position

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB6,265.2 million (31 December 2020: approximately RMB6,840.0 million).

Cash Flows

During the six months ended 30 June 2021, net cash inflow from operating activities of the Group amounted to approximately RMB673.3 million, compared with net cash inflow from operating activities of the Group amounting to approximately RMB10.7 million for the same period in 2020. The change was mainly due to (i) the increase in the operating profits of the Group for the Period and (ii) the strengthening of the Group's collection management.

During the six months ended 30 June 2021, net cash outflow from investing activities of the Group amounted to approximately RMB861.3 million, compared with net cash inflow from investing activities of the Group amounting to approximately RMB424.4 million for the same period in 2020. The change was mainly due to the increase in term deposits during the Period.

During the six months ended 30 June 2021, net cash outflow from financing activities of the Group amounted to approximately RMB327.8 million, compared with net cash inflow from financing activities of the Group amounting to approximately RMB75.0 million for the same period in 2020. The change was mainly due to the payment to the Shareholders on 25 June 2021 of the final dividend for the year ended 31 December 2020.

Borrowings

As at 30 June 2021, the Group had nil borrowings (31 December 2020: nil).

GEARING RATIO

As the Group had nil borrowings as at 30 June 2021, 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 30 June 2021 (31 December 2020: nil).

PLEDGE OF ASSETS

As at 30 June 2021, 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 30 June 2021, non-RMB assets are cash and cash equivalents of RMB3,212,216,000 denominated in HK\$ and term deposits of RMB709,061,000 denominated in HK\$. Fluctuation of the exchange rates of RMB against foreign currency could affect the Group's results of operations. The Group currently manages the exchange rate risk by adopting a combined mechanism of exchange rates lock-in and settlement of foreign exchange at selective timing, which has shown to be effective as the mechanism helped lower the foreign exchange loss during the Period from RMB47.4 million to a net foreign exchange loss of RMB13.8 million. The management of the Group will continue to keep track of exchange rate risk and adjust the management measures to mitigate exchange rate risk where necessary.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities.

COMMITMENTS

As at 30 June 2021, the Group had an outstanding capital commitment of RMB20 million in respect of the acquisitions of companies the completion of which are pending the satisfaction of conditions precedent and consideration payment.

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

Acquisition of 100% equity interest in Meilishan Property

The Company has won the public tender at the China Beijing Equity Exchange (北京產權交易所) for the 100% equity interest in Chongqing Meilishan Property Service Co., Ltd.* (重慶美利山物業服務有限公司) ("**Meilishan Property**") and on 27 May 2021, the Company entered into an equity transfer agreement with Chongqing Shoujin Property Development Co., Ltd.* (重慶首金房地產開發有限公司) to acquire 100% equity interest in Meilishan Property and debt owed by Meilishan Property of RMB26,584,401.18 at a consideration of RMB75,915,598.82. The four residential properties to which Meilishan Property provided services were all located in Chongqing, with a total GFA under management of approximately 1,467,600 sq.m. and contracted GFA of approximately 1,680,600 sq.m.. The properties were mainly high-end residential properties. The acquisition was in line with the Company's long-term adherence to the urban density strategy, and would increase the number of high-end residential properties under the Group's management so that the Group could continue to increase its market share in Chongqing. The Company was confident that through the effect of economies of scale, development of community value-added services, intelligent upgrades and effective cost-control measures, the quality and efficiency of the operations of Meilishan Property would improve rapidly.

As all applicable percentage ratios (as defined in the Listing Rules) in respect of the acquisition of 100% equity interest in Meilishan Property are below 5%, such acquisition is exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Acquisition of 100% equity interest in Baotou Property

On 7 February 2021, the Company entered into an equity transfer agreement with three individuals, each of whom was an Independent Third Party, to acquire 100% equity interest in Baotou Smart Property Service Co., Ltd.* (包頭智慧物業服務有限公司) (“**Baotou Property**”) at a consideration of RMB57,000,000. Baotou Property provided services to 10 properties, all of which were located in Baotou City, Inner Mongolia, with a total GFA under management of approximately 1,773,600 sq.m. and contracted GFA of approximately 2,173,600 sq.m.. Baotou Property had a good market reputation in Baotou City. The Company’s successful entry into the market of Baotou City through the acquisition will help its expansion of the Inner Mongolia market and continue to improve its national strategic layout. With Baotou City as the core, the Group will further radiate its presence across the Inner Mongolia Autonomous Region through the output of leading property service technology capabilities and high-quality service capabilities in order to achieve deep development in the region.

As all applicable percentage ratios (as defined in the Listing Rules) in respect of the acquisition of 100% equity interest in Baotou Property are below 5%, such acquisition is exempt from the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Save as disclosed in this announcement, the Company had no significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

USE OF NET PROCEEDS FROM THE LISTING

The Company allotted and issued 132,911,400 H Shares and 19,936,700 H Shares at HK\$44.7 per Share on 17 November 2020 and 15 December 2020 respectively in connection with the Listing.

The Company received net proceeds of approximately HK\$6,614.9 million from the Listing (taking into account of the net proceeds of approximately HK\$876.8 million from the full exercise of the Over-allotment Option on 10 December 2020), after deducting the underwriting commissions and other estimated expenses payable by the Company in connection with the Listing.

As at 30 June 2021, approximately HK\$1,118.34 million of the net proceeds raised from the Listing were applied by the Company. The proceeds would be allocated and used according to the purposes set out in the Prospectus.

The following table sets forth details of the net proceeds as at 30 June 2021:

	Planned use of net proceeds as stated in the Prospectus and taking into account the net proceeds received from the full exercise of the Over-allotment Option		Unutilised net proceeds as at 1 January 2021	Actual use of net proceeds during the six months ended 30 June 2021	Unutilised net proceeds as at 30 June 2021	Expected timeline of the intended use of proceeds
	<i>HK\$'million</i>	<i>Approximate percentage</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	
Pursuing selective strategic investment and acquisition opportunities	3,968.94	60%	3,968.94	434.27	3,534.67	On or before 30 September 2023
Upgrading the systems of the Group for digitization and smart management	661.49	10%	661.49	0.49	661.00	On or before 30 September 2023
Further developing the value-added services of the Group	1,322.98	20%	1,322.98	178.12	1,144.86	On or before 30 September 2023
General business operations and working capital	661.49	10%	661.49	505.46	156.03	On or before 30 September 2023
Total	<u>6,614.9</u>	<u>100%</u>	<u>6,614.9</u>	<u>1,118.34</u>	<u>5,496.56</u>	

Further details of the breakdown and description of the use of proceeds are set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The Directors were not aware of any material change to the planned use of proceeds as at 30 June 2021. The unutilised net proceeds and its following intended timeframe for utilisation will be applied in the manner consistent with that mentioned in the Prospectus.

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. Save as disclosed in the Prospectus, the Group had no other future plans for material investments or capital assets as at 30 June 2021.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, the Group had approximately 9,029 employees. (31 December 2020: 8,758 employees). For the Period, the staff cost recognised as expenses of the Group amounted to RMB691.5 million (30 June 2020: approximately RMB499.3 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. As required by the relevant PRC laws and regulations, the Group makes contributions to social insurance fund (including pension fund, medical insurance, employment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of its PRC 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 30 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and applied the Corporate Governance Code 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 during the Period. Further information about the corporate governance practices of the Company will be set out in the interim report of the Company for the six months ended 30 June 2021.

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

The Company has adopted 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 during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the Period.

INTERIM DIVIDEND

On 24 March 2021, the Board recommended the payment of a final dividend of RMB0.5 (before tax) per share 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. The proposed final dividend was approved by the Company's shareholders at the annual general meeting held on 25 May 2021. The final dividend was paid to the Shareholders on 25 June 2021.

The Board resolved not to declare any interim dividend for the Period (for the six months ended 30 June 2020: nil).

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 (www.jinkeservice.com).

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; and (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 and has been a member of Hong Kong Institute of Certified Public Accountants since October 2005.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

The Audit Committee has discussed with the management and the external auditor of the Company and has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021. The interim results of the Group for the six months ended 30 June 2021 have not been audited but have been reviewed by PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.jinkeservice.com. The Company's 2021 interim report containing all the information required by the Listing Rules will be dispatched to the 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

Chongqing, 19 August 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.

“ABN”	asset-backed notes
“ABS”	asset-backed securities
“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
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“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
“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
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	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
“Period”	the six months ended 30 June 2021
“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
“%”	per cent

* For identification purposes only