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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)

FURTHER CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

References are made to the announcements of the Company dated 10 September 2021 (the “**First Announcement**”) and 18 April 2023 (the “**Second Announcement**”) in relation to the change of use of proceeds from the Global Offering. Unless the context requires otherwise, capitalized terms used herein shall have same meanings as those defined in the First Announcement and the Second Announcement.

USE OF PROCEEDS AS CHANGED PURSUANT TO THE SECOND ANNOUNCEMENT

The original intended use of the Net Proceeds amounted to approximately RMB6,660.9 million, after deducting the underwriting commission and other expenses, was set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus. As set out in the First Announcement and Second Announcement, the Group adjusted the intended use and allocation of the Net Proceeds on 10 September 2021 and 18 April 2023 respectively. The following table sets forth details of the allocation of the Net Proceeds as at the date of this announcement:

	Revised allocation of the Net Proceeds as disclosed in the Second Announcement		Unutilised Net Proceeds as at the date of this announcement	Expected timeline of the intended use of the Net Proceeds
	<i>HK\$ million approximately</i>	<i>Approximate percentage</i>	<i>HK\$ million approximately</i>	
(a) Pursuing selective strategic investment and acquisition opportunities and further developing strategic partnerships to expand the Group's business scale and the depth and breadth of the Group's geographic coverage, by way of investment (direct investment, acquisition, or capital increase of affiliated companies), acquisition of or entering into joint venture arrangement with property management companies or companies engaged in the business of value-added services, and joint investment in relevant industry funds with business partners	3,996.5	60%	1,594.7	
(i) Investing in or acquiring property management companies which manage quality residential properties which meet the Group's selection criteria, and/or with the necessary experiences and qualifications, and/or which manage non-residential properties which meet the Group's selection criteria such as public facilities, educational institutions and/or hospitals	2,032.0	30.5%	1,142.1	On or before December 2025
(ii) Investing in or acquiring suitable targets with business that are complementary to the Group's existing services and can help the Group further integrate its upstream and downstream resources, such as catering services, and enjoy a reputable brand name	997.7	15.0%	331.7	On or before December 2025

	Revised allocation of the Net Proceeds as disclosed in the Second Announcement		Unutilised Net Proceeds as at the date of this announcement	Expected timeline of the intended use of the Net Proceeds
	<i>HK\$ million approximately</i>	<i>Approximate percentage</i>	<i>HK\$ million approximately</i>	
(iii) Retaining the net proceeds in Hong Kong for the investment in and acquisition of suitable targets with the business scope described in subcategories (i) and (ii) above, and according to the structure of the transaction and acquisition target (such as red chip structure), possibly for direct payment in Hong Kong of such investment and mergers and acquisitions, so that the Company can explore and expand business sources and channels in multiple directions	966.9	14.5%	120.9	On or before December 2025
(b) Upgrading the systems of the Group for digitization and smart management	170.8	2.6%	88.1	
(i) Developing and upgrading hardware and software	70.8	1.1%	–	–
(ii) Developing and improving the Group's intelligent management systems	100.0	1.5%	88.1	On or before December 2024
(c) Further developing the value-added services of the Group	1,199.0	18.0%	283.5	
(i) Strategically developing the Group's upstream and downstream services	1,196.9	18.0%	283.5	On or before December 2024
(ii) Upgrading hardware and developing smart community	2.1	0.03%	–	–

	Revised allocation of the Net Proceeds as disclosed in the Second Announcement		Unutilised Net Proceeds as at the date of this announcement	Expected timeline of the intended use of the Net Proceeds
	<i>HK\$ million approximately</i>	<i>Approximate percentage</i>	<i>HK\$ million approximately</i>	
(d) General business operations and working capital	666.1	10.0%	10.3	On or before December 2024
(e) Retaining the net proceeds in Hong Kong and mainland China for the funding of the repurchase of Shares and/or the establishment of incentive programs, such as employee share ownership plan and share award plan, as permitted by the laws of the place where the Company is registered and where the Company's shares are listed	433.2	6.5%	70.2	On or before December 2024
(f) Renovating and improving the housing of the old residential communities under the management of the Group or for which the Group is newly contracted to provide property management service	195.3	2.9%	189.4	On or before December 2024
Total	6,660.9	100%	2,236.2	

FURTHER CHANGE IN USE OF PROCEEDS

After considering the reasons set out in paragraphs headed “Reasons for the Change in Use of Proceeds” below, the Board has resolved to re-allocate HK\$129.1 million and HK\$120.9 million of the Net Proceeds from the the subcategories of “Investing in or acquiring suitable targets with business that are complementary to the Group’s existing services” and “Retaining the net proceeds in Hong Kong for the investment in and acquisition of suitable targets” respectively to fund the subcategory of “Net Proceeds for share repurchase and employee incentive programs”. The following table sets forth details of the revised allocation of the Net Proceeds:

	Revised allocation of the Net Proceeds		Remaining balance of the remaining Net Proceeds after the revised allocation	Expected timeline for utilising the remaining Net Proceeds
	<i>HK\$ million approximately</i>	<i>Approximate percentage</i>	<i>HK\$ million approximately</i>	
(a) Pursuing selective strategic investment and acquisition opportunities and further developing strategic partnerships to expand the Group’s business scale and the depth and breadth of the Group’s geographic coverage, by way of investment (direct investment, acquisition, or capital increase of affiliated companies), acquisition of or entering into joint venture arrangement with property management companies or companies engaged in the business of value-added services, and joint investment in relevant industry funds with business partners	3,746.6	56.3%	1,344.7	
(i) Investing in or acquiring property management companies which manage quality residential properties which meet the Group’s selection criteria, and/or with the necessary experiences and qualifications, and/or which manage non-residential properties which meet the Group’s selection criteria such as public facilities, educational institutions and/or hospitals	2,032.1	30.5%	1,142.1	On or before December 2025

	Revised allocation of the Net Proceeds		Remaining balance of the remaining Net Proceeds after the revised allocation	Expected timeline for utilising the remaining Net Proceeds
	<i>HK\$ million approximately</i>	<i>Approximate percentage</i>	<i>HK\$ million approximately</i>	
(ii) Investing in or acquiring suitable targets with business that are complementary to the Group's existing services and can help the Group further integrate its upstream and downstream resources, such as catering services, and enjoy a reputable brand name	868.6	13.0%	202.6	On or before December 2025
(iii) Retaining the net proceeds in Hong Kong for the investment in and acquisition of suitable targets with the business scope described in subcategories (i) and (ii) above, and according to the structure of the transaction and acquisition target (such as red chip structure), possibly for direct payment in Hong Kong of such investment and mergers and acquisitions, so that the Company can explore and expand business sources and channels in multiple directions	845.9	12.7%	–	–
(b) Upgrading the systems of the Group for digitization and smart management	170.9	2.6%	88.1	
(i) Developing and upgrading hardware and software	70.8	1.1%	–	–
(ii) Developing and improving the Group's intelligent management systems	100.1	1.5%	88.1	On or before December 2024
(c) Further developing the value-added services of the Group	1,199.0	18.0%	283.5	
(i) Strategically developing the Group's upstream and downstream services	1,196.9	18.0%	283.5	On or before December 2024
(ii) Upgrading hardware and developing smart community	2.1	0.0%	–	–

	Revised allocation of the Net Proceeds		Remaining balance of the remaining Net Proceeds after the revised allocation	Expected timeline for utilising the remaining Net Proceeds
	<i>HK\$ million approximately</i>	<i>Approximate percentage</i>	<i>HK\$ million approximately</i>	
(d) General business operations and working capital	666.1	10.0%	10.3	On or before December 2024
(e) Retaining the net proceeds in Hong Kong and mainland China for the funding of the repurchase of Shares and/or the establishment of incentive programs, such as employee share ownership plan and share award plan, as permitted by the laws of the place where the Company is registered and where the Company's shares are listed	683.2	10.3%	320.2	On or before December 2024
(f) Renovating and improving the housing of the old residential communities under the management of the Group or for which the Group is newly contracted to provide property management service	195.2	2.9%	189.4	On or before December 2024
Total	6,660.9	100%	2,236.2	

Note: The figures have been rounded up. Accordingly, the total amount of each category may not be equal to the apparent sum of the relevant sub-categories.

Save as disclosed in this announcement, there are no other changes on the use of the remaining unutilized Net Proceeds.

Reasons for the Change in Use of Proceeds

Change in allocation of the Net Proceeds for business expansion

As disclosed in the Second Announcement, since the fourth quarter of 2022, the Company became aware that the number of acquisition targets with outbound red chip structure had substantially decreased due to the combined effect of the dynamic changes in market circumstances in the real estate industry, the downturn in the PRC market and the resurgence of the COVID-19 pandemic. Although the Board has re-allocated HK\$331.6 million of the Net Proceeds from the subcategory of "Retaining the net proceeds in Hong Kong for the investment in and acquisition of suitable targets" to fund the subcategory of "Investing in or acquiring suitable targets with business that are complementary to the Group's existing services" on 18 April 2023, it appears to the Board

that the upstream and downstream of the Group's business are also affected by the considerable uncertainties in the PRC market in the post-pandemic era. Due to the sustained effect of the overall underperformance of the real estate sector and the economic stagnation in the PRC, the entire property management service industry and its upstream and downstream business are suffered. Since 30 June 2023, the Company has only identified 1 outbound acquisition target and 3 targets whose business are complementary to the Group. Only 1 of the targets namely Shanghai Hotspot Catering Service Co., Ltd.* (上海荷特寶配餐服務有限公司) has been acquired by the Board which has been disclosed in the announcements of the Company dated 27 July 2023 and 16 October 2023 respectively. Despite of that, the other potential acquisitions were eventually not proceeded further due to the fact that the targets did not match the Group's criteria, or failure to reach consensus on fair and reasonable commercial terms which would be beneficial to the Company and the Shareholders as a whole.

Considering that there are not sufficient suitable acquisition targets available and the continuous economic stagnation in the PRC, the Company is not likely to apply the fund under the subcategories of "Investing in or acquiring suitable targets with business that are complementary to the Group's existing services" and "Retaining the net proceeds in Hong Kong for the investment in and acquisition of suitable targets" in a timely manner, the Board decided to re-allocate HK\$129.1 million and HK\$120.9 million of the Net Proceeds from the the subcategories of "Investing in or acquiring suitable targets with business that are complementary to the Group's existing services" and "Retaining the net proceeds in Hong Kong for the investment in and acquisition of suitable targets" respectively to fund the subcategory of "Net Proceeds for share repurchase and employee incentive programs".

Change in allocation of the Net Proceeds for share repurchase and employee incentive programs

As disclosed in the Prospectus and the Second Announcement, it is the competitive strengths of the Group to set up a well-established incentive scheme to attract and retain experienced management team and talented employees. The Group has always considered the talented employees as one of its core competitiveness and its important stakeholders and cooperative partners. Property management depends on manual labor, not only for the performance of property management services but also for implementing and innovating smart solutions. With the business of the property management companies gradually expanding to the upstream and downstream business including but not limited to the group catering industry, it is increasingly difficult for the Group to recruit and retain talented individuals who are up to date and experienced in the industry. Meanwhile, it is believed that the current Share price of the Company is below its intrinsic value and may not be fully reflecting the business prospect of the Group, hence it presents a good opportunity for the Company to repurchase its Shares. The financial and cash flow position of the Company remain solid and healthy. The Board believes that the repurchase of its Shares reflects the Company's confidence in its long-term business prospects and potential growth of the Company. In addition, the Company believes that actively optimising the capital structure through implementing the repurchase of Shares will enhance earnings per Share, net asset value per Share and overall Shareholder's return which will also enhance value of the award Shares and further motivate the selected participants of the share incentive plan of the Company.

To attract and retain the core team members and to motivate them to contribute to the development of the Group's business, the Group has already established two H share award schemes (the "**H Share Award Schemes**") to link employees' performance with the Group's corporate goal, which further align their interest with the Group's. Details of the H Share Award Schemes have been disclosed in the announcements of the Company dated 30 December 2022 and 30 March 2023 respectively.

As at the date of this announcement, the trustee of the H Share Award Schemes has repurchased 7,097,325 Shares, among which 4,290,000 Shares have been granted to 91 core management members of the Group.

As the Net Proceeds originally allocated to fund the repurchase of Shares and/or the establishment of incentive programs is about to be fully utilized and the Group will further conduct the repurchase in order to retain the talents of the Group and motivate their ownership, the Board decided to re-allocate HK\$250 million of the Net Proceeds to fund the repurchase of Shares and/or the establishment of incentive programs, such as employee share ownership plan and share award plan.

The Board considers that the change in the use of Net Proceeds is in the best interest of the Company and the Shareholders as a whole and it would not have a material adverse effect on the existing business operations of the Group.

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

Chongqing, 22 December 2023

As at the date of this announcement, the Board comprises Mr. Xia Shaofei as executive Director, Mr. Wu Xiaoli, Ms. Lin Ke, Mr. Xu Guofu, Mr. Shi Cheng and Mr. Qi Shihao as non-executive Directors, and Ms. Xiao Huilin, Ms. Yuan Lin and Mr. Tung Woon Cheung Eric as independent non-executive Directors.

* *For identification purpose only*