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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)

(1) COMPLETION OF THE ACQUISITION; AND (2) CONTINUING CONNECTED TRANSACTIONS

COMPLETION OF THE ACQUISITION

The Board is pleased to announce that all conditions precedent in relation to completion of the Acquisition as set out in the Announcement were fulfilled and that completion of the Acquisition took place on 29 December 2021. After completion of the Acquisition, the Target Company has become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group have been consolidated into the financial statements of the Group.

CONTINUING CONNECTED TRANSACTIONS

After completion of the Acquisition and on 31 December 2021, the Company and Jinke Property entered into the (i) Hotel Leasing Services Framework Agreement, which sets out the principal terms for the provision of hotel leasing and related services by the Jinke Property Group to the Group; and (ii) Hotel Management Services Framework Agreement, which sets out the principal terms for the provision of hotel management, integrated catering and related services by the Group to the Jinke Property Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jinke Property is the controlling shareholder of the Company. Therefore, Jinke Property is a connected person of the Company under the Listing Rules, and the transactions contemplated under the Hotel Leasing Services Framework Agreement and Hotel Management Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the highest amount of the annual caps under each of the Hotel Leasing Services Framework Agreement and Hotel Management Services Framework Agreement exceeds 0.1% but all of which are less than 5%, the transactions contemplated under each of the Hotel Leasing Services Framework Agreement and Hotel Management Services Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

COMPLETION OF THE ACQUISITION

Reference is made to the Announcement.

The Board is pleased to announce that all conditions precedent in relation to completion of the Acquisition as set out in the Announcement were fulfilled and that completion of the Acquisition took place on 29 December 2021. After completion of the Acquisition, the Target Company has become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group have been consolidated into the financial statements of the Group.

CONTINUING CONNECTED TRANSACTIONS

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(1) Hotel Leasing Services Framework Agreement

The principal terms of the Hotel Leasing Services Framework Agreement are set out below:

Date:	31 December 2021 (after trading hours)
Parties:	(i) the Company; and (ii) Jinke Property.
Scope of service:	Hotel leasing and related services to be provided by the Jinke Property Group to the Group, under which Jinke Property has agreed to lease and procure other members of the Jinke Property Group to lease certain hotel properties to the Group for the Group's operations.
Term:	The term of the Hotel Leasing Services Framework Agreement shall be effective commencing from 1 January 2022 and ending on 31 December 2024 (both dates inclusive).
Pricing and other terms:	(i) the parties shall enter into Specific Agreements which will set out the necessary terms and conditions for the relevant transactions contemplated under the Hotel Leasing Services Framework Agreement in the ordinary course of business after arm's length negotiations on normal commercial terms; and (ii) the Specific Agreements shall conform with the principles and provisions set out in the Hotel Leasing Services Framework Agreement.

Historical transaction amounts: The approximate historical aggregate amounts paid by the Target Group in respect of the hotel leasing and related services provided by the Jinke Property Group for each of the two years ended 31 December 2020 and the nine months ended 30 September 2021 are set out below:

	For the year ended 31 December		For the nine months ended 30 September
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Aggregate service fees	8,601,414	6,304,046	6,501,748

Annual caps: Pursuant to the Hotel Leasing Services Framework Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for the three years ending 31 December 2024 are expected not to exceed as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	10,000,000	10,300,000	10,700,000

The proposed annual caps for the transactions contemplated under the Hotel Leasing Services Framework Agreement were determined after considering the following factors:

- (i) the historical transaction amounts under the previous relevant hotel leasing service agreements entered into between the Target Group and the Jinke Property Group;
- (ii) the hotel leasing and related services to be provided to the Group by the Jinke Property Group in respect of its three existing hotel properties; and
- (iii) the service fee to be charged for each hotel property by the Jinke Property Group for the provision of such hotel leasing and related services, which is determined with reference to the prevailing market condition (taking into consideration the location of the hotel property and the increase in service fee not exceeding 3% per annum).

(2) Hotel Management Services Framework Agreement

The principal terms of the Hotel Management Services Framework Agreement are set out below:

Date: 31 December 2021 (after trading hours)

Parties: (i) the Company; and
(ii) Jinke Property.

Scope of service: Hotel management, integrated catering and related services to be provided by the Group to the Jinke Property Group, including but not limited to (i) hotel project feasibility study services; (ii) hotel pre-opening technical consulting services; (iii) operation management services; (iv) integrated hotel services; and (v) integrated catering services.

Term: The term of the Hotel Management Services Framework Agreement shall be effective commencing from 1 January 2022 and ending on 31 December 2024 (both dates inclusive).

Pricing and other terms: (i) the parties shall enter into Specific Agreements which will set out the necessary terms and conditions for the relevant transactions contemplated under the Hotel Management Services Framework Agreement in the ordinary course of business after arm's length negotiations on normal commercial terms; and
(ii) the Specific Agreements shall conform with the principles and provisions set out in the Hotel Management Services Framework Agreement.

The fees payable under each of such Specific Agreements in relation to the transactions contemplated under the Hotel Management Services Framework Agreement will mainly comprise:

- | | |
|---|--|
| • hotel project feasibility study services fee | a one-off fixed fee for each hotel project |
| • hotel pre-opening technical consulting services fee | a one-off fixed fee for each hotel property |
| • operation management services fee | a fixed base fee for each hotel property plus variable percentage of the gross operating profit of the hotel |

- integrated hotel services fee a fixed fee per annum for each hotel property
- integrated catering services fee a fixed percentage charged on cost-plus basis, subject to a minimum base fee for each integrated catering project

Historical transaction amounts: The approximate historical aggregate amounts paid by the Jinke Property Group in respect of the hotel management, integrated catering and related services provided by the Target Group for each of the two years ended 31 December 2020 and the nine months ended 30 September 2021 are set out below:

	For the year ended 31 December		For the nine months ended 30 September
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Aggregate service fees	4,630,380	9,034,292	11,611,794

Annual caps: Pursuant to the Hotel Management Services Framework Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for the three years ending 31 December 2024 are expected not to exceed as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	30,000,000	31,000,000	32,000,000

The proposed annual caps for the transactions contemplated under the Hotel Management Services Framework Agreement were determined after considering the following factors:

- the historical transaction amounts under the previous relevant hotel management service agreements entered into between the Target Group and the Jinke Property Group;
- in respect of hotel project feasibility study services and hotel pre-opening technical consulting services, the expected number of hotel projects to be developed by the Jinke Property Group, which is estimated to be over ten projects for each of the three years ending 31 December 2024;

- (iii) in respect of the operation management services, integrated hotel services and integrated catering services:
 - (a) the expected increase in demand for such hotel management, integrated catering and related services to be provided by the Group for the three years ending 31 December 2024 taking into consideration the new high-end hotel opened on 30 September 2021 and the one new hotel property to be opened by the Jinke Property Group in 2022;
 - (b) the historical occupancy rate of each hotel which is over 60% in average for the nine months ended 30 September 2021, which is expected to increase further as COVID-19 situation gradually improves;
 - (c) in respect of the integrated catering services:
 - the expected increase in demand for such integrated catering services for the three years ending 31 December 2024 taking account of the scale (taking into consideration the number of diners and historical expenses of the Jinke Property Group) of the corporate catering and the hotel catering services launched at the end of 2021 by the Target Group for the Jinke Property Group; and
 - the estimated cost for the provision of such services together with a fixed percentage in the range of 10% to 15% charged on the top with reference to the prevailing market rate;
 - (iv) the expected increase in the service fees charged by the Target Group after the unification of the Target Group's pricing of service fees (apart from fees for integrated catering services) with reference to prevailing market rate after completion of the Acquisition.

Pricing policies

As a general principle, the service fees to be charged by the Group under the Hotel Leasing Services Framework Agreement and the Hotel Management Services Framework Agreement will be determined in accordance with the following pricing principles:

- (i) where there are prices prescribed by the PRC government in relation to the hotel leasing, hotel management, integrated catering and related services, such government prescribed prices shall apply to the services provided by the Group. Where there are available or applicable government guiding price standards, the prices charged by the Group shall be within the scope of the government guided prices;
- (ii) where no government-prescribed prices or guiding prices are available or applicable, the price shall be based on the market price of comparable services and the price offered by the Group to the Independent Third Parties for comparable services; and
- (iii) prevailing market price for the similar services for the similar type of hotel properties with similar area and quality in the vicinity generally offered by other independent service providers.

As at the date of this announcement, and to the best knowledge, understanding and belief of the Directors, none of the services provided under the Hotel Leasing Services Framework Agreement and the Hotel Management Services Framework Agreement is subject to any applicable government-prescribed prices or government-guided prices.

In determining the service prices chargeable and terms under the Specific Agreements, the prices and terms offered by the Jinke Property Group will be reviewed and evaluated by the relevant personnel of the finance department and the management of the Group and to be compared against the prices obtained through the monthly regular price research conducted by the Group from the historical transaction with the Independent Third Party(ies). Where the prices and terms of an offer from the Jinke Property Group are not less favorable to the Group than those offered by other Independent Third Party(ies), the Group may enter into Specific Agreements to provide the relevant services to the Jinke Property Group. The Group will keep negotiating with Jinke Property Group to ensure the prices and terms of an offer from the Jinke Property Group are no less favorable to the Group than those available from Independent Third Party(ies) before entering into Specific Agreement.

The Directors consider that the above relevant procedures conducted by the Group in determining the service prices chargeable and terms under the Specific Agreements can ensure the transactions contemplated under the Hotel Leasing Services Framework Agreement and the Hotel Management Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and the Shareholders.

Internal control measures

The pricing policies for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

The relevant personnel and management of the Group will review and assess the terms before entering into the Specific Agreements to ensure they are consistent with the principles and provisions set out in the Hotel Leasing Services Framework Agreement and the Hotel Management Services Framework Agreement.

The finance department of the Company will closely monitor the aggregate transaction amounts and notify the management if the aggregate transaction amounts become close to the annual caps. Regular checks will be conducted on an annually basis to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of the respective agreements and the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policies.

The independent non-executive Directors will continue to review the management's annually review reports on the transactions contemplated under the relevant continuing connected transactions and the auditors of the Company will also conduct an annual review on the pricing terms and annual cap thereof.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Hotel Leasing Services Framework Agreement and the Hotel Management Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the Hotel Leasing Services Framework Agreement and the Hotel Management Services Framework Agreement

The Target Group has been providing the Jinke Property Group with hotel leasing services, hotel management and integrated catering services prior to completion of the Acquisition. The Board believes that the continuance of the provision of the such services to the Jinke Property Group could allow the Target Group to continue to make use of its existing strength and experience in hotel management and related services, and get continuous support from the Jinke Property Group. It is expected that the continuous cooperation between the Target Group and the Jinke Property Group could result in satisfactory synergy effect and further promote the business growth of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Hotel Leasing Services Framework Agreement and the Hotel Management Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps thereof) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Information on Jinke Property and the Group

Jinke Property

Jinke Property is a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000656.SZ). It was established in 1998. After more than two decades of innovative development, it has become a large conglomerate featuring an overall concept of four-in-one with coordinated development of ecosystem: giving priority to real estate, strengthening smart service, improving technology industry, and boosting commerce, cultural tourism and health care, to further integrate the industrial chain ecosystem. It is a leading “service provider for wonderful life” with strong comprehensive competitiveness contributing to urban development.

The Group

The Group is 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.

Listing Rules implications

As at the date of this announcement, Jinke Property is the controlling shareholder of the Company. Therefore, Jinke Property is a connected person of the Company under the Listing Rules, and the transactions contemplated under the Hotel Leasing Services Framework Agreement and Hotel Management Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the highest amount of the annual caps under each of the Hotel Leasing Services Framework Agreement and Hotel Management Services Framework Agreement exceeds 0.1% but all of which are less than 5%, the transactions contemplated under each of the Hotel Leasing Services Framework Agreement and Hotel Management Services Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from circular (including independent financial advice) and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Board approval

At the Board meeting held to approve the Hotel Leasing Services Framework Agreement and Hotel Management Services Framework Agreement and the transactions contemplated thereunder, Mr. Luo Licheng and Mr. Liang Zhongtai who also hold management positions in Jinke Property, have abstained from voting on the relevant board resolutions of the Company. Apart from Mr. Luo Licheng and Mr. Liang Zhongtai, none of the Directors has or is deemed to have a material interest in the Hotel Leasing Services Framework Agreement and Hotel Management Services Framework Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant Board resolutions approving the Hotel Leasing Services Framework Agreement and the Hotel Management Services Framework Agreement and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcement and the following terms have the meanings set opposite them below:

“Announcement”	the announcement of the Company dated 27 December 2021
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Jinke Smart Services Group Co., Ltd.* (金科智慧服務集團股份有限公司), a joint stock company established in the PRC with limited liability and the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 9666)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Shares”	the overseas listed foreign share(s) 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
“Hotel Leasing Services Framework Agreement”	the hotel leasing services framework agreement entered into between the Company and Jinke Property on 31 December 2021 in relation to the provision of hotel leasing and related services by the Group to the Jinke Property Group
“Hotel Management Services Framework Agreement”	the hotel management services framework agreement entered into between the Company and Jinke Property on 31 December 2021 in relation to the provision of hotel management, integrated catering and related services by the Group to the Jinke Property Group

“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Group and its connected persons and their respective ultimate beneficial owner(s) or their respective associates
“Jinke Property”	Jinke Property Group Co., Ltd.* (金科地產集團股份有限公司), a joint stock company established in the PRC with limited liability, listed on the Shenzhen Stock Exchange (stock code: 000656.SZ) and the controlling shareholder of the Company
“Jinke Property Group”	Jinke Property and its subsidiaries and associates (but excluding the Group)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the H Shares only
“Shareholder(s)”	the holder(s) of Share(s)
“Specific Agreement(s)”	the specific individual agreement(s) that may be entered into between members of the Group and members of the Jinke Property Group in accordance with the principles and terms of each of the Hotel Leasing Services Framework Agreement and the Hotel Management Services Framework Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Chongqing, 31 December 2021

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

* for identification purposes only