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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)

DISCLOSEABLE AND CONNECTED TRANSACTION DEBT SETTLEMENT AGREEMENT

BACKGROUND

Reference is made to the announcement of the Company dated 15 December 2023 in relation to, among others, the variation of terms to 2021 Framework Marketing Service Agreement. As at the date of this announcement, the receivables due from Jinke Property Group arising from the 2021 Framework Marketing Agreement is RMB532,710,768.53 in total.

Having considered that Jinke Property is primarily obliged to fulfill the “Guaranteed Delivery”, in order to fulfillment of the “Guaranteed Delivery” by Jinke Property, and the reasons and benefits disclosed in the paragraphs headed “Reasons for and Benefits of the Debt Settlement Agreement” below, on 29 December 2023 (after trading hours), subject to the approval of Supplemented 2021 Framework Marketing Service Agreement by the independent Shareholders pursuant to requirements of the Listing Rules, the Company entered into the Debt Settlement Agreement with Jinke Property. Pursuant to the Debt Settlement Agreement, the Company and Jinke Property intends to settle the Receivables under the Supplemented 2021 Framework Marketing Service Agreement through coordinating the members of Jinke Property Group to provide cash or assets (namely the car parking spaces owned by it) to offset the Receivables. If the Company and such member choose assets to offset the Receivables, Jinke Property shall produce the lists of the parking spaces available for offsetting the Receivables, and the Company is entitled to select the parking spaces listed on the list to offset the amounts not exceeding the Receivables arising from the 2021 Framework Marketing Service Agreement on a dollar-for-dollar basis.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Debt Settlement are more than 5% but all of which are less than 25%, the Debt Settlement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Jinke Property is a substantial shareholder of the Company, holding approximately 25.49% of the issued share capital of the Company. As such, Jinke Property is a connected person of the Company under the Listing Rules. The Debt Settlement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Debt Settlement exceed 5%, the Debt Settlement is subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 15 December 2023 in relation to, among others, the variation of terms to 2021 Framework Marketing Service Agreement. As at the date of this announcement, the receivables due from Jinke Property Group arising from the 2021 Framework Marketing Agreement is RMB532,710,768.53 in total.

Having considered that Jinke Property is primarily obliged to fulfill the “Guaranteed Delivery”, in order to fulfillment of the “Guaranteed Delivery” by Jinke Property, and the reasons and benefits disclosed in the paragraphs headed “Reasons for and Benefits of the Debt Settlement Agreement” below, on 29 December 2023 (after trading hours), subject to the approval of Supplemented 2021 Framework Marketing Service Agreement by the independent Shareholders pursuant to requirements of the Listing Rules, the Company entered into the Debt Settlement Agreement with Jinke Property. Pursuant to the Debt Settlement Agreement, the Company and Jinke Property intends to settle the Receivables under the Supplemented 2021 Framework Marketing Service Agreement through coordinating the members of Jinke Property Group to provide cash or assets (namely the car parking spaces owned by it) to offset the Receivables. If the Company and such member choose assets to offset the Receivables, Jinke Property shall produce the lists of the parking spaces available for offsetting the Receivables, and the Company is entitled to select the parking spaces listed on the list to offset the amounts not exceeding the Receivables arising from the 2021 Framework Marketing Service Agreement on a dollar-for-dollar basis.

DEBT SETTLEMENT AGREEMENT

The principal terms of the Debt Settlement Agreement are set out below:

Date

29 December 2023

Parties

The Company (on behalf of members of the Group); and

Jinke Property (on behalf of members of Jinke Property Group)

Subject matter

The Offset Assets provided by Jinke Property to the Company are the right of use of the parking spaces owned by the Jinke Property Group, which are located in the regions including Southwest China, Central China and North China. The Debt Settlement will be carried out by way of assignment of the right of use, including the right to occupy, use, benefit from and dispose of the parking spaces where the direct transfer of the ownership of the parking spaces can not be directly transferred to the Company under the PRC laws and regulations. As at the date of this announcement, to the best of the Directors’ knowledge and having made all reasonable inquiries, there is no legal encumbrance for the Group on assignment of right of use of the Offset Assets.

In the PRC, trading in parking spaces can be carried out by the assignment of right of use in the parking spaces where the direct transfer of the ownership of the parking spaces is not available under the PRC laws and regulations, for example, existing PRC policies currently only allow the assignment of right of use in some non-air raid shelter parking spaces instead of transfer of the ownership of the parking spaces. If the direct transfer of the ownership of the parking spaces in the Offset Assets is allowed under the PRC laws and regulations in the future (for example, due to any relaxation of the existing PRC laws and regulations), Jinke Property Group shall actively cooperate with the Group to carry out the transfer of the ownership of the parking spaces in such target parking spaces.

The Debt Settlement Agreement is a framework agreement entered into according to the Supplemented 2021 Framework Marketing Service Agreement, which contains the principles, mechanisms and terms and conditions upon which the parties thereto are to carry out the transactions respectively. Following the signing of the Debt Settlement Agreement, each transferor (being a relevant member of Jinke Property Group) and the transferee (being a member of the Group) shall separately enter into a right of use transfer agreement (as the case may be) and relevant ancillary documents for the purpose of effecting the assignment of the right of use in the Offset Assets and the settlement of debt due from Jinke Property Group on a dollar-for-dollar basis.

Consideration, basis of determination of the consideration

The maximum amount for the Debt Settlement shall not exceed RMB532,710,768.53 in total. It was agreed by the Company and Jinke Property that the Receivables shall be settled on a dollar-for-dollar basis, and thus no separate cash payment will be made by the Group to Jinke Property Group.

The amount of the Receivables to be settled by the Offset Assets was determined after arm's length negotiations between the Company and Jinke Property with reference to, among others, (i) the valuation of the Offset Assets, conducted by an independent valuer in the PRC using market approach; (ii) the prevailing market prices for the comparable assets in the proximity; (iii) the expected administrative cost of the Group to realize the Offset Assets and (iv) the reasons and benefits as more particularized in the paragraphs headed "Reasons for and Benefits of the Debt Settlement Agreement" below.

Conditions Precedent

The Debt Settlement Agreement is subject to the fulfilment of the following conditions:

- (i) the formal valuation report has been issued by an independent valuer in the PRC regarding the Offset Assets selected by the Company and the formal legal opinion has been issued by the PRC legal consultant in respect of the same;
- (ii) the Debt Settlement Agreement has been duly executed and sealed by the Company and Jinke Property;
- (iii) the Supplemented 2021 Framework Marketing Service Agreement has been approved by the independent Shareholders pursuant to the Listing Rules;
- (iv) the Debt Settlement Agreement has been approved by the Independent Shareholders pursuant to the Listing Rules;

INFORMATION ON THE OFFSET ASSETS

The Offset Assets provided by Jinke Property to the Company are the right of use of the parking spaces owned by Jinke Property Group, which are located in the regions including Southwest China, Central China and North China. As at the date of this announcement, to the best of the Directors' knowledge and having made all reasonable inquiries, the Offset Assets have been retained as inventories since the completion of its development by Jinke Property Group, and have not been leased out, therefore, there was no rental income or profit generated from the Offset Assets.

REASONS FOR AND BENEFITS OF THE DEBT SETTLEMENT AGREEMENT

The Debt Settlement Agreement allows the Group to recover the Receivables from the Jinke Property Group. The Group will transfer the Offset Assets to its third-party suppliers to settle other payables due from the Group to such suppliers, or may sell or let out the Offset Assets to third-parties for cash.

In considering the entering into of the Debt Settlement Agreement, the Board considered that (i) the Company's provision for impairment of trade and bill receivables increased from RMB78.2 million as at 31 December 2021 to RMB1,046.5 million as at 31 December 2022 due to a substantial decline in collectable receivables as a result of continued downturn in the real estate market and downward pressure on the economy and the COVID-19 pandemic during the year of 2022; (ii) the Company's net cash inflow from operating activities recorded a decrease of approximately 11.7% as compared to that of the same period in 2021 which was mainly attributable to a slower collection of proceeds due to tight cash flow from property developers; and (iii) the realization, pledge or leasing of the Offset Assets by the Company could improve the cashflow of the Company.

The Group possesses industry-leading capabilities in real estate management and operation. The Company believes the demand for private parking spaces from car owners will increase significantly with the increase in private car volume in China and the popularity of new energy vehicles. The Group will continue to identify, among the owners and tenants of the properties managed by the Group or in open market, suitable third parties for the sales or leases of the Offset Assets. The Group believes that such transactions are not only conducive to enhancing its ability in community value-added services, but would also improve the Group's revenue, both of which are in line with the Group's interests in the long term.

In view of the above, the Directors (excluding the independent non-executive Directors whose view will be expressed after considering the advice from the Independent Financial Adviser) consider that, the Debt Settlement Agreement is entered into during the ordinary and usual course of business of the Group, the terms of the Debt Settlement Agreement are on normal commercial terms and are fair and reasonable, in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND JINKE PROPERTY 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). Jinke Property is one of the leading property developers in the PRC and is principally engaged in the development of large scale mixed-use property projects, with extensive presence in the businesses of property management, operation of technology industry, construction, real estate construction management and commercial.

The Group

The Group is principally engaged in the provision of space property management services, community value-added services, local catering services and smart living technology solutions in the PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Debt Settlement are more than 5% but all of which are less than 25%, the Debt Settlement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Jinke Property is a substantial shareholder of the Company, holding approximately 25.49% of the issued share capital of the Company. As such, Jinke Property is a connected person of the Company under the Listing Rules. The Debt Settlement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Debt Settlement exceed 5%, the Debt Settlement is subject to the reporting, annual review, announcement, 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 Debt Settlement Agreement, Mr. Xu Guofu who holds management positions in Chongqing Jinke Investment Holding (Group) Co., Ltd. (重慶市金科投資控股(集團)有限責任公司) and Mr. Shi Cheng who holds management positions in Jinke Property Group, have abstained from voting on the relevant Board resolution. Apart from Mr. Xu Guofu and Mr. Shi Cheng, none of the Directors has or is deemed to have a material interest in the Debt Settlement Agreement and is required to abstain from voting on the relevant Board resolution approving the Debt Settlement Agreement.

GENERAL

The Company will convene and hold the EGM for the purpose of, among other things, considering and if thought fit, approving Debt Settlement Agreement.

Voting at the EGM will be conducted by way of poll. Jinke Property, holding 162,977,875 Shares, representing approximately 25.49% of the issued share capital of the Company shall abstain from voting on the proposed resolution approving the Debt Settlement Agreement at the EGM. The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Debt Settlement Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Debt Settlement Agreement and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the Debt Settlement Agreement; (ii) the detailed list of the Offset Assets and the valuation report on the Offset Assets selected by the Company; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding its advice on the terms of the Debt Settlement Agreement; (iv) the recommendations from the Independent Board Committee to the Independent Shareholders; and (v) a notice of the EGM to be convened and held to approve, inter alia, the Debt Settlement Agreement will be despatched to Shareholders in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings below:

“2021 Framework Marketing Service Agreement”	the framework marketing service agreement entered into between the Company and Jinke Property on 25 November 2021, and as amended by the first supplemental agreement to the framework marketing service agreement on 10 December 2021
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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 incorporated 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(s)”	has the meaning ascribed to it under the Listing Rules
“Debt Settlement”	the settlement of the Receivables by acquiring the Offset Assets as contemplated under the Debt Settlement Agreement
“Debt Settlement Agreement”	the debt settlement agreement dated 29 December 2023 entered into between the Company and Jinke Property
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of, among other things, considering and, if thought fit, approving the Debt Settlement Agreement and the transactions respectively contemplated thereunder, or any adjournment thereof
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK\$ and listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Ms. Yuan Lin, Ms. Xiao Huilin and Mr. Tung Woon Cheung Eric, to advise the Independent Shareholders in respect of Debt Settlement Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), and appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Debt Settlement Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who do not have a material interest in the Debt Settlement Agreement
“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 a substantial shareholder of the Company, holding approximately 25.49% of the issued share capital of the Company as at the date of this announcement
“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

“Offset Asset(s)”	the parking spaces to be acquired by the Group under the Debt Settlement Agreement
“Receivables”	the outstanding receivables due from Jinke Property Group arising from the 2021 Framework Marketing Agreement as at the date of this announcement, being RMB532,710,768.53
“RMB” or “Renminbi”	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 H Shares only
“Shareholder(s)”	holder(s) of Share(s)
“sq. m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemented 2021 Framework Marketing Service Agreement”	the 2021 Framework Marketing Service Agreement as supplemented by a supplemental agreement dated 15 December 2023 entered into between the Company and Jinke Property in relation to the variation to payment terms under the 2021 Framework Marketing Service Agreement, which is subject to the approval by independent Shareholders
“%”	percent.

* *for identification purposes only*

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

Chongqing, 2 January 2024

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 and Ms. Yuan Lin and Mr. Tung Woon Cheung Eric as independent non-executive Directors.