

股份代號 9666.HK

Stock Code 9666.HK

(於中華人民共和國註冊成立的股份有限公司)

(a joint stock company incorporated in the People's Republic of China with limited liability)

金科智慧服務集團 股份有限公司

Jinke Smart Services Group Co., Ltd.

2020年度報告
ANNUAL REPORT 2020

JINKE 金科服務
美好你的生活



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xia Shaofei (*Chairman*)
Mr. Luo Chuansong
Mr. Xu Guofu

Non-Executive Directors

Mr. Luo Licheng
Mr. Liang Zhongtai
Mr. Li Nan

Independent Non-Executive Directors

Mr. Cao Guohua
Ms. Yuan Lin
Mr. Chan Chi Fung Leo

SUPERVISORS

Mr. Yu Yong
Mr. Han Chong
Ms. Ren Wenjuan

JOINT COMPANY SECRETARIES

Mr. Xu Guofu
Mr. Lau Kwok Yin

AUTHORIZED REPRESENTATIVES

Mr. Xu Guofu
Mr. Lau Kwok Yin

AUDIT COMMITTEE

Mr. Chan Chi Fung Leo (*Chairman*)
Mr. Liang Zhongtai
Mr. Cao Guohua

REMUNERATION COMMITTEE

Ms. Yuan Lin (*Chairlady*)
Mr. Luo Licheng
Mr. Cao Guohua

NOMINATION COMMITTEE

Mr. Xia Shaofei (*Chairman*)
Ms. Yuan Lin
Mr. Cao Guohua

HEADQUARTERS IN THE PRC

Building A4, East Zone
Jinke Shiniancheng
No. 480, Panxi Road
Shimahe Street
Jiangbei District
Chongqing, PRC

REGISTERED OFFICE IN THE PRC

Jinke Huayuan
Wuhuang Road
Wulidian Street
Jiangbei District
Chongqing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor
Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE INFORMATION

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

LEGAL ADVISOR AS TO HONG KONG LAWS

Sidley Austin

PRINCIPAL BANKS

Industrial and Commercial Bank of China,
Chongqing Longhu Branch

China Merchants Bank, Chongqing Branch,
Jinke Shierfang Sub-branch

INVESTOR RELATIONS

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COMPANY'S WEBSITE

www.jinkeservice.com

STOCK CODE

09666

FINANCIAL SUMMARY

SUMMARY OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
Revenue (RMB million)	3,358.9	2,327.7
Gross profit (RMB million)	997.4	635.7
Gross profit margin	29.7%	27.3%
Profit for the year ended (RMB million)	633.2	374.4
Net profit margin		
Profit for the year attributable to owners of the Company (RMB million)	617.6	366.5
Basic earnings per share (RMB)*	1.24	0.8
Return on shareholders' equity (weighted average)	16.3%	90.1%

* The H shares of the Company were listed on 17 November 2020. The Over-allotment Option was exercised in full on 10 December 2020, and the shares were issued on 15 December 2020. The weighted average number of ordinary shares for the year ended 31 December 2020 (the "year" or "period") and for the year ended 31 December 2019 were 497,011,000 and 455,473,000, respectively. Details are set out in note 13 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

SUMMARY OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December	
	2020	2019
Total assets (RMB million)	8,552.2	4,093.9
Cash and cash equivalents (RMB million)	6,840.3	333.1
Total equity (RMB million)	7,252.5	505.0
Gearing ratio	-	3.6

HONORS AND MAJOR EVENTS

Honors of Jinke Services in 2020

No.	Awarded Date	Awarding Entity	Award Name
1	May 2020	China Index Academy	2020 Top 10 among the Top 100 Property Management Companies in China in terms of Overall Strengths
2	May 2020	China Index Academy	2020 China Leading Property Management Companies in terms of Quality Service
3	May 2020	China Index Academy	2020 Top 10 Property Management Companies in Chongqing in terms of Overall Strengths
4	May 2020	China Index Academy	2020 Top 10 Property Management Companies in Wuxi in terms of Overall Strengths
5	May 2020	China Index Academy	2020 Top 10 Property Management Companies in Zhengzhou in terms of Overall Strengths



HONORS AND MAJOR EVENTS

Honors of Jinke Services in 2020

No.	Awarded Date	Awarding Entity	Award Name
6	May 2020	China Index Academy	Top 100 Property Management Companies in China in 2020
7	May 2020	China Index Academy	2020 Leading Property Management Service Enterprise with Chinese Characteristics - City Service
8	September 2020	China Index Academy	2020 China Property Management Leading Brand in terms of Professional Operation
9	September 2020	China Index Academy	2020 China Property Management Leading Brand in terms of Market-oriented Operation
10	September 2020	China Index Academy	2020 China Industrial Property Service Excellent Brand

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9



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HONORS AND MAJOR EVENTS

Honors of Jinke Services in 2020

No.	Awarded Date	Awarding Entity	Award Name
11	September 2020	China Index Academy	2020 Brand Value of RMB9,001 Million
12	May 2020	China Index Academy	2020 Property Management Companies Worthy of Attention of the Capital Market
13	September 2020	China Property Research Association, China Real Estate Appraisal Center	2020 Leading Companies in terms of Commercial Property Service
14	September 2020	China Property Research Association, China Real Estate Appraisal Center	2020 Property Management Company with Chinese Characteristics in terms of Brand Services – Public Construction Service
15	September 2020	China Property Research Association, China Real Estate Appraisal Center	2020 Top 10 Property Management Company in Western China in terms of Brand Services

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HONORS AND MAJOR EVENTS

Major Events of Jinke Services in 2020

1

On 19 January, 2020, the 2020 Jinke Family Banquet and Owners' Meeting was held in Chongqing and subsequently in cities such as Chengdu, Zhengzhou, Changsha and Wuxi. Representatives of our owners and media across the country, and partners of Jinke Services gathered together. Jinke Services made a warm year-end summary of 2019 and looked forward to a bright future in 2020. At the same time, the owners' art group of Jinke offered New Year wishes to the neighbors and guests with wonderful performances



2

At the beginning of February, the COVID-19 epidemic was severe in Wuhan, and Huoshenshan Hospital was in urgent need of a group of highly professional property service personnel to guarantee hospital logistics after its establishment. Jinke Services formed a 13-member volunteer team and rushed to support Huoshenshan in Wuhan. The team fought for 64 days at Huoshenshan Hospital and made outstanding contributions to fight against the COVID-19 epidemic. The team was highly recognized by the army and awarded the honor of "Model of Charity" by the Ministry of Civil Affairs of China.



3

From late February to early March 2020, the COVID-19 epidemic gradually mitigated and enterprises nationwide resumed work one after another. Jineke Services customized the epidemic prevention plan for industrial parks, office buildings and other types of projects, escorting the enterprises to resume work and production, which was well received by the national partners. Chongqing High-tech Zone Jiulong Park Management Committee, Hunan Province Liuyang City Administrative Approval Service Bureau, China Southern Airlines Hunan Branch, China Huaye Group and other units sent commendation letters, thanking letters and banners to Jinke Services.



4

On 24 June 2020, the eve of the Dragon Boat Festival, the 2020 Dragon Boat Neighborhood Cultural Event of Jinke Grande Community was launched. It is the first large-scale neighborhood cultural activity held by Jinko Services since the outbreak of the epidemic. Jinke Services started the preparation one month in advance for this event, collected mugwort from the sub-urban countryside and made scented pouches to send holiday blessings to the owners, and held a series of gardening activities combined with the traditional customs of different regions, which was highly praised by the owners across the country.



HONORS AND MAJOR EVENTS



5

In early July 2020, Children's Growth Center of Jinke Services was upgraded to debut in Chongqing community. The upgraded Children's Growth Center of Jinke Services was designed as a "friendly" mini-complex community. In terms of education concept, Children's Growth Center of Jinke Services advocated the multiple intelligence theory of Professor Gardner of Graduate School of Education, Harvard University, which promoted children's brain development, cultivated thinking habits and independent learning ability through "picture book stories and situational games". Through "stories", children can develop early reading habits, and "games" stimulated children's multi-sensory integration to achieve children's social development.

6

From 19 September 2020 to 30 September 2020, the 2020 Neighborhood Art Festival and the first Pampered Fan Festival of Jinke Grande Community were held in more than 100 cities, including Chongqing, Beijing, Zhengzhou, Changsha and Wuxi. The activities included the Mid-Autumn Festival Party brought by the owners' art group and the garden party consisting of traditional cultural customs. The owners of Jinke across the country gathered in various cities to celebrate the Mid-Autumn Festival joyfully.



7

On 17 November 2020, Jinke Services was officially listed on the Main Board of the Hong Kong Stock Exchange with stock code 9666.HK. At the listing celebration luncheon, Jinke Tianqi 4.0 – Smart City System is upgraded and launched simultaneously, which is a breakthrough big data analysis platform and service management platform empowered from community, business and city management dimensions.



8

From 24 to 28 December 2020, Jinke-style happy life opened for the first time in Xizang. In Chengguan District of Lhasa, Tianfeng Xianghe Xiyuan, which services are provided by Jinke, formally celebrated the grand delivery. When the mellow barley wine was filled into the silver calabash and the hada representing good fortune was put on the shoulders, 834 property owners moved into their long-awaited new home.



CHAIRMAN'S STATEMENT



“ Do warm things with a warm heart to make your life beautiful. ”

XIA SHAOFEI

Dear Shareholders,

With the profound changes in the global economy and the rapid transformation of China's society, the property industry has witnessed rapid development and reshaped industry values. In the past five years, we have adhered to the development strategy of “service + ecology, service + technology”, insisted on customer satisfaction as the core, continued to build community ecology, and continuously strengthened technology empowerment, so that the Company has strong advantages in customer satisfaction, value-added business and per capita efficiency. In the next five years, the opening year of our five-year tenfold growth, we will further deepen the development strategy of “service + technology, service + ecology”, strengthen the strategic role of double engines “ecology + technology” in the development of the Company, and further iterate on the three business segments of space service, life service and technology service, strengthen the synergy of the three major capabilities of new services, new ecology and new technology, actively layout the health and cultural, sports

and tourism businesses, promote the comprehensive development of each business from community to society, and advance towards a world-class intelligent service provider.

WE ARE STARTING A NEW JOURNEY IN THE FIRST YEAR WITH THE VISION OF “TENFOLD INCREASE IN RESULTS IN NEXT FIVE YEARS”(新五年新十倍).

IN URBAN SPACE SERVICES, WE WILL INSIST ON CUSTOMER SATISFACTION AS THE CORE, STRENGTHEN URBAN DENSITY AND DEEP DEVELOPMENT, AND MAINTAIN STRONG DEVELOPMENT ADVANTAGES OF THE COMPANY.

In terms of customer service quality, we will always adhere to consistent internal and external service standards, and continue to innovate interactive service, planning service and incremental service to further improve customer satisfaction. In terms of market

CHAIRMAN'S STATEMENT

expansion, we will further strengthen the construction of outreach teams and incentive systems, enhance the business layout in advantageous areas, increase the expansion of non-residential businesses such as commercial office buildings, schools and hospitals, and further extend to urban services. In terms of mergers and acquisitions, we will take advantage of our own capital and resources to cautiously face acquisition opportunities and select targets that are highly compatible with the Company in terms of business situation, business scale, profitability and growth potential to enhance the management scale and profitability of the Company.

FOR THE BETTER LIFE SERVICES, WE WILL ADHERE TO THE SERVICE + ECOLOGICAL STRATEGY, GIVE FULL PLAY TO THE ADVANTAGES OF RESIDENTIAL VOLUME AND DENSITY, FOCUS ON THE CORE ECOLOGICAL ADVANTAGE TRACK, AND COLLABORATE WITH MULTI-TRACK DEVELOPMENT.

We will continue to improve the professionalization, systematization and standardization of community value-added services. For our existing value-added businesses, such as comprehensive living and traveling services, home-living services and home decoration services, we will further integrate resources to quickly build a local life supply chain to multiply revenue and earnings, and form one or two leading business tracks nationwide to achieve leadership in the value-added service track. At the same time, we will actively explore culture, sports, health and other spiritual services business, accelerate the integration of upstream and downstream industry chain by taking advantage of 13 years of community and neighborhood culture construction, taking neighborhood community as the origin, relying on community big data capability to provide value-added services for property owners and family needs, make business from the community to society, and continue to build a first-class service provider for better life.

IN TERMS OF INTELLIGENT TECHNOLOGY SERVICES, WE WILL ADHERE TO THE SERVICE + TECHNOLOGY STRATEGY, ACCELERATE THE DIGITAL TRANSFORMATION, CONTINUE TO PROMOTE THE MECHANIZATION OF MANPOWER AND THE INTELLECTUALIZATION OF MACHINERY, AND STRENGTHEN THE OUTPUT OF TECHNOLOGICAL AND DIGITAL INTELLIGENCE SERVICES.

We have been attaching great importance to research and development of technology, and have taken cost reduction and efficiency enhancement as the core work of internal empowerment, comprehensively promoting

the building and upgrading of a series of remote online management platforms such as smart security platform, cloud garage, cloud monitoring, cloud energy consumption, to reduce costs and reduce consumption and improve operational management capabilities. By utilizing the three management service platforms of Grande Butlers APP, Grande Community APP and Operation System, it is possible for the projects and our employees to quickly respond to the information and nodes of work and execute them precisely. In the future, we will accelerate the application of robots in project management and continue to implement and operate robots in cleaning, patrolling and transportation to strengthen human-robots collaboration. In addition, we will make use of its leading technological strength to promote the research and development of our products and enhance the product power, establish a strong team for R&D, sales, and operation maintenance and after-sales lifetime service, strengthen the output of technological and digital intelligence service capabilities, accelerate the implementation of smart communities, smart parks and digital intelligence in city service projects, and realize the two-way empowerment of the digital intelligence in city service and the expansion of property projects.

I, on behalf of the Board of Directors, would like to thank all of our employees and management team for their tireless efforts and dedication to the results of the Company and also like to express my sincere gratitude to all shareholders and stakeholders for their trust and support. Jinke Services has been adhered to long-termism and has taken customer satisfaction as its core to achieve high efficiency, high quality, high density, high satisfaction and high technology content, and has insisted on the rapid growth with high efficiency and quality. With lofty aspiration and firmly-determined original vision, in 2021, we will pull through all obstacles and run with all our might to surpass our better self and start from the end with the increase in annual profit of 80%, and I believe that we will over-achieve the ten-fold growth plan in five years.

Xia Shaofei
Chairman and Executive Director

Chongqing, the PRC, 24 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Market Review and Overview

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

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

Revenue and profit maintained rapid growth, and the contracted GFA and GFA under management maintained sound improvement. In 2020, the Group achieved the revenue of approximately RMB3,358.9 million, with an increase of 44.3% over the same period of 2019; gross profit was approximately RMB997.4 million, with a year-on-year increase of approximately 56.9%; net profit of approximately RMB633.2 million, with a year-on-year increase of 69.1%; net profit attributable to the parent company for the whole year was approximately RMB617.6 million, with an increase of approximately 68.5% over the same period of 2019. Excluding the impact of foreign exchange losses, net profit attributable to the parent company would have been approximately RMB651.9 million, with an increase of approximately 79.53% over the same period last year. As of 31 December 2020, the Group has completed a nationwide layout of 25 provinces and 152 cities, with a total GFA under management of approximately 156 million sq.m., of which 48.6% was attributable to independent third parties, and a total contracted GFA of approximately 277 million sq.m., of which 56.3% was attributable to independent third parties, representing a qualitative growth in scale and quality.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

REVIEW OF 2020

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINANCIAL REVIEW

REVENUE

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

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

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

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

- (i) the increase in revenue from property management services by approximately 38.1% from RMB1,465.8 million for the year ended 31 December 2019 to RMB2,024.0 million for the year ended 31 December 2020, which was primarily driven by the Group’s business expansion, of which the GFA under management increased by approximately 29.6% from 120.5 million sq.m. as at 31 December 2019 to 156.2 million sq.m. as at 31 December 2020;
- (ii) the increase in revenue from value-added services to non-property owners by approximately 46.9% from RMB596.4 million for the year ended 31 December 2019 to RMB876.1 million for the year ended 31 December 2020, which was primarily driven by an increase in sales assistance services provided to property developers as a result of an increase in the number of sales offices;

MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) the increase in revenue from community value-added services by approximately 72.3% from RMB238.6 million for the year ended 31 December 2019 to RMB411.1 million for the year ended 31 December 2020, which was primarily driven by the increase in scale of the Group's property management business and the expansion of the Group's value-added service offerings to property owners;
- (iv) the increase in revenue from smart living technology solutions by approximately 77.3% from RMB26.9 million for the year ended 31 December 2019 to RMB47.7 million for the year ended 31 December 2020, which was primarily driven by (i) the increase in smart solutions that the Group developed for Independent Third Parties; and (ii) the wider implementation of the Home-Life system (生命家系統) in sales offices where the Group provides sales assistance services.

Property management services

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

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

Notes:

- (i) 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.
- (ii) Refer to properties developed by Jinke Property Group's joint venture and associates, in which Jinke Property Group did not hold a controlling interest.
- (iii) Refer to properties solely developed by third-party property developers independent from Jinke Property Group. Properties developed by Independent Third Parties include government-owned buildings and other public properties.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Provinces, municipalities and autonomous regions in which the Group provides property management services to projects in the Southwestern China Region include Sichuan province, Guizhou province, Yunnan province, Tibet Autonomous Region and Chongqing municipality.
- (2) Provinces, municipalities and autonomous regions in which the Group provides property management services to projects in the Eastern and Southern China Region include Jiangsu province, Zhejiang province, Fujian province, Jiangxi province, Shandong province, Anhui province, Guangdong province, Hainan province, Guangxi Zhuang Autonomous Region and Shanghai municipality.
- (3) Provinces, municipalities and autonomous regions in which the Group provides property management services to projects in the Central China Region include Henan province, Hubei province and Hunan province.
- (4) Provinces, municipalities and autonomous regions in which the Group provides property management services to projects in other regions include Hebei province, Shanxi province, Shaanxi province, Gansu province, Qinghai province, Liaoning province, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, Xinjiang Uyghur Autonomous Region, Beijing and Tianjin municipalities.

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

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

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from value-added services to non-property owners

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

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

Revenue from community value-added services

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

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

Revenue from smart living technology solutions

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

COST OF SALES

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

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

OTHER INCOME

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

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

OTHER (LOSSES)/GAINS – NET

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

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

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

INCOME TAX EXPENSES

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

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

RESERVES AND CAPITAL STRUCTURE

As at 31 December 2020, distributable reserves of the Company amounted to RMB509.6 million, representing an increase of 28.3% as compared to that of RMB397.1 million as at 31 December 2019.

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.

INTANGIBLE ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE AND BILL RECEIVABLES

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

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

OTHER ASSETS

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

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

PREPAYMENT AND OTHER RECEIVABLES

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

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

TRADE AND BILL PAYABLES

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

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

OTHER PAYABLES AND ACCRUALS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTRACT LIABILITIES

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

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 31 December 2020, the Group had cash and cash equivalents of approximately RMB6,840.3 million (31 December 2019: approximately RMB333.1 million).

INDEBTEDNESS

Borrowings

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

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

PLEDGE OF ASSETS

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

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

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

FOREIGN EXCHANGE RISKS

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

CONTINGENT LIABILITIES

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

COMMITMENTS

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

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

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

The Company has no other significant investments or significant acquisitions and disposals of subsidiaries, associates and joint ventures in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE LISTING

As stated in the Prospectus and the announcement of the Company dated 10 December 2020, the Group intended to use the net proceeds as follows: (i) approximately 60%, or approximately HK\$3,968.94 million for pursuing selective strategic investment and acquisition opportunities and further develop strategic partnerships to expand the business scale of the Group and the depth and breadth of the geographic coverage of the Group; (ii) approximately 10%, or approximately HK\$661.49 million for upgrading the systems of the Group for digitization and smart management; (iii) approximately 20%, or approximately HK\$1,322.98 million for further developing the value-added services of the Group; and (iv) approximately 10%, or approximately HK\$661.49 million for the Group's general business operations and working capital.

As at 31 December 2020, none 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 31 December 2020:

	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		Actual use of net proceeds for the period from the Listing Date to 31 December 2020	Unutilised net proceeds as at 31 December 2020	Expected timeline of the intended use of proceeds
	<i>HK\$'million</i>	<i>Approximate percentage</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	
Pursuing selective strategic investment and acquisition opportunities	3,968.94	60%	-	3,968.94	On or before 30 September 2023
Upgrading the systems of the Group for digitization and smart management	661.49	10%	-	661.49	On or before 30 September 2023
Further developing the value-added services of the Group	1,322.98	20%	-	1,322.98	On or before 30 September 2023
General business operations and working capital	661.49	10%	-	661.49	On or before 30 September 2023
Total	6,614.9	100%	-	6,614.9	

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 unutilised net proceeds and its following intended timeframe for utilisation will be applied in the manner consistent with that mentioned in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to utilise the net proceeds from the Listing in accordance with the plan set out in the section headed “Future plans and Use of Proceeds” in the Prospectus. As at 31 December 2020, the Company has not yet utilised any of the net proceeds from the Listing. Such net proceeds are currently held in the form of bank deposits.

The Group did not have any other immediate plans for material investments and capital assets as at 31 December 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEE AND REMUNERATION POLICY

Employee

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

Remuneration Policy

The Group enters into individual employment contracts with its employees to cover matters such as wages, salaries, benefits and terms for termination. The Group generally formulates its employees’ remuneration package to include a salary, bonus and various allowances. In general, the Group determines employee salaries based on each employee’s qualification, position and seniority. The Group has designed a periodic review system to assess the performance of its employees, which forms the basis of its determination on salary raise, bonus and promotion. The remuneration policy of the Group is to reward its employees based on, among other things, the Group’s operating results, individual performance and comparable market statistics. The Group offers its employees competitive wages and benefits, systematic training opportunities and internal upward mobility, so as to attract and retain quality staff.

In order to retain talents for achieving the Group’s strategic and operational goals, the Company has adopted the 2017 Employee Stock Ownership Plan in January 2017 and the 2020 Employee Stock Ownership Plan on 7 April 2020. Details of the 2017 Employee Stock Ownership Plan and the 2020 Employee Stock Ownership Plan are set out in the Prospectus. As required by the relevant PRC laws and regulations, the Group makes contributions to social insurance fund (including pension fund, medical insurance, un-employment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of its PRC employees.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held in independently administrated funds managed by the relevant governments. As at 31 December 2020, no forfeited contributions were available to reduce the existing level of contributions payable by the Group.

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Xia Shaofei (夏紹飛), aged 41, was appointed as a Director in September 2014 and re-designated as the executive Director in May 2020. Mr. Xia is primarily responsible for overall operation and management of the Group, strategic planning, community value-added services and technology services of the Group. Mr. Xia joined the Group in August 2014 and has served as the chairman of the Board since then.

Prior to joining the Group, from April 2002 to January 2012, he successively served as the planning supervisor of the marketing management department, the marketing manager, the brand director, the marketing director and the senior marketing director at Jinke Property, where he was primarily responsible for coordination of marketing planning of the subsidiaries of Jinke Property. From January 2012 to August 2014, Mr. Xia served as deputy director and was subsequently promoted to director of brand and property department of Jinke Property, where he was primarily responsible for the overall operations of marketing management and property management.

Mr. Xia obtained his associate's degree in accounting computerization from Chongqing Radio and Television University (重慶廣播電視大學) in the PRC in October 2000. Mr. Xia obtained his bachelor's degree in marketing from Southwestern University of Finance and Economics (西南財經大學) in the PRC in July 2015.

Mr. Luo Chuansong (羅傳嵩), aged 46, was appointed as a Director in September 2014 and re-designated as the executive Director and the executive general manager in May 2020. Mr. Luo is responsible for daily management and operation of the Group.

Mr. Luo joined the Group as the head of security department in December 2002, where he was primarily responsible for security maintenance. He was promoted as a project manager in September 2003, where he was primarily responsible for project operation and management. From March 2009 to August 2014, he served as the assistant of general manager and was then promoted to deputy general manager, where he was primarily responsible for customer service, security maintenance and property management projects. From August 2014 to May 2020, Mr. Luo served as the general manager of the Company, where he was primarily responsible for daily management and operation of the Company.

Mr. Luo obtained his bachelor's degree in marketing from Shenyang Machine Industry officers and Workers University (沈陽機械工業職工大學) in the PRC through distance learning in July 1999. He graduated from the curricula of property management MBA from Bozhong Real Estate Management Research Institute (博眾房地產管理研究院) in the PRC in July 2015.

Mr. Luo is the president of Chongqing Property Management Institute (重慶物業管理協會), and has been serving as the vice president and a council member of the working committee of laws and policies of China Property Management Institute (中國物業管理協會) since July 2019 for a term of five years. He has been serving as the deputy director of the intelligent property application promotion center of the National Digital Standardization Technical Committee for Intelligent Buildings and Residential Area (全國智能建築及居住區數字標準化技術委員會) since January 2019 for a term of three years. Mr. Luo was awarded as the Most Respected Property Management Professional (最美物業人) by Chongqing Municipal Commission of Housing and Urban-Rural Development (重慶市住房和城鄉建設委員會) in November 2019. Mr. Luo was awarded the 2017 Top 10 CEOs in the PRC Property Management Industry (2017中國十大物業CEO).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xu Guofu (徐國富), aged 37, was appointed as the executive Director in May 2020. Mr. Xu is primarily responsible for financial management, capital management, industry investment and board matters of the Group. Mr. Xu joined the Group as deputy general manager, chief financial officer and secretary of the Board in May 2020.

Prior to joining the Group, from July 2007 to March 2010, Mr. Xu successively served as an audit assistant, an auditor and a project manager of Chongqing Branch of Tianjian Accounting Firm (Special general partnership) (天健會計師事務所(特殊普通合夥)重慶分所), where he was mainly responsible for annual auditing of financial statements, auditing of major assets restructuring and financial due diligence of PRC listed companies. From April 2010 to March 2014, he successively served as an auditor, an accounting director and a financial manager of Jinke Property and its subsidiaries, where he was mainly responsible for financial management. From March 2014 to June 2015, he served as a financial manager of Chongqing Rongchuangjiye Property Development Co., Ltd. (重慶融創基業房地產開發有限公司), a real estate company, where he was mainly responsible for financial management. From July 2015 to May 2020, he successively served as a manager, a deputy director, a senior deputy director, general manager of the security department and the secretary of the board of Jinke Property, where he was mainly responsible for the overall management of the basic securities affairs of the security department, investor relations, capital operation, and statutory duties of the secretary of the board, including information disclosure and preparation for the annual general meeting.

Mr. Xu obtained his bachelor's degree in financial management from Chongqing Technology and Business University (重慶工商大學) in the PRC in July 2007. Mr. Xu obtained the Intermediate Qualification Level in Accounting (會計中級資格) and the Senior Qualification Level in Accounting (會計高級資格) issued by Chongqing Professional Title Reform Office (重慶市職稱改革辦公室) in December 2011 and February 2018, respectively.

NON-EXECUTIVE DIRECTORS

Mr. Luo Licheng (羅利成), aged 56, was appointed as the non-executive Director in May 2020. Mr. Luo is primarily responsible for provision of guidance for the overall development of the Group.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Luo has more than 19 years of experience in engineering, construction and real estate industry. The following table shows the relevant experience of Mr. Luo:

Period of time	Name of entity	Position(s)	Principle business activities	Responsibilities
October 2000 to August 2011	Chongqing Jinke Industrial Co., Ltd. (重慶市金科實業(集團)有限公司)	General manager of design center and deputy general manager of the group	Property development	Management and operation of daily affairs
September 2011 to December 2011	Jinke Property	Vice chairman of the board of directors, chief executive officer	Property development	Management and operation of daily affairs
January 2012 to February 2014	Jiangsu branch offices of Jinke Property	Chairman of the board of directors and general manager	Property development	Management and operation of daily affairs
March 2014 to October 2015	Jinke Property	Chief executive officer	Property development	Overall management and operation
November 2015 to June 2017	Midwest branch offices of Jinke Property	Chairman of the board of directors and general manager	Property development	Overall management and operation
July 2017 to January 2020	Jinke Property and West branch offices of Jinke Property	Senior Vice President of Jinke Property, chairman of the board of directors and general manager of west branch offices of Jinke Property	Property development	Overall management and operation
January 2020 to February 2021	Jinke Property	Senior vice president	Property development	Overall management and operation of industrial and diversified sector
Since February 2021	Jinke Property	Joint president	Property development	Overall management of cost engineering, bidding and procurement, building material and sales related business, in charge of operation management, investment development and investment cooperation

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Luo obtained his bachelor's degree in industrial and civil construction from Chongqing Civil Engineering Institute (重慶建築工程學院) in the PRC in July 1987. Mr. Luo obtained the senior engineer qualification certificate (高級工程師) conferred by Chongqing Municipal Government (重慶市政府) in June 2005. He obtained the supervision engineer qualification certificate (監理工程師) approved and authorized by Ministry of Construction of the PRC (中華人民共和國建設部) in September 2003. He obtained the cost engineer qualification certificate (造價工程師) approved and authorized by Ministry of Construction of the PRC (中華人民共和國建設部) in October 2001.

Mr. Liang Zhongtai (梁忠太), aged 39, was appointed as the non-executive Director in May 2020. Mr. Liang is primarily responsible for provision of guidance for the overall development of the Group.

From July 2003 to June 2009, Mr. Liang served as the project manager of the audit department and the assistant manager of the technical department of Chongqing Branch of Tianjian Accounting Firm (Special general partnership) (天健會計師事務所(特殊普通合夥)重慶分所), where he was mainly responsible for financial management. Since July 2009, Mr. Liang has been working at Jinke Property and its certain subsidiaries and branch offices, including several subsidiaries in Chongqing from July 2009 to March 2010 and from April 2014 to April 2015, where he served as deputy manager of financial department and director of financial treasury department, respectively; a subsidiary in Jiangsu from April 2010 to March 2014, where he served as a director of financial department; Chongqing branch office from May 2015 to May 2018, where he served as general manager of financial management department; Jinke Property since June 2018, where he served as a deputy general manager of financial department from June 2018 to February 2019, and was then promoted as a general manager of financial department and the chief risk officer in February 2019. Mr. Liang has been appointed as a supervisory of Jinke Property since January 2021 and has also been serving as a general manager of the investment assessment department of Jinke Property since March 2021. During his time working at Jinke Property, Mr. Liang was mainly responsible for financial management.

Mr. Liang obtained his bachelor's degree in accounting in Chongqing Institute of Technology (重慶工學院) in the PRC in July 2003. Mr. Liang obtained the Intermediate Qualification Level in Accounting (會計中級資格) issued by Ministry of Finance of the PRC (中華人民共和國財政部) in May 2005 and the Senior Qualification Level in Accounting (會計高級資格) issued by Chongqing Professional Title Reform Office (重慶市職稱改革辦公室) in December 2019. He obtained the Registered Tax Agent (註冊稅務師) issued by Chongqing Professional Title Reform Office (重慶市職稱改革辦公室) in June 2005.

Mr. Li Nan (李楠), aged 33, was appointed as the non-executive Director in May 2020. Mr. Li is primarily responsible for provision of guidance for the overall development of the Group.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

From October 2012 to March 2016, Mr. Li served as an analyst of CDH Investments (鼎暉投資), a private equity company, where he was mainly responsible for the investment and management of the private equity projects. Since March 2016, he has served as the investment director of Riverhead Capital Investment Management Co., Ltd. (陽光融匯資本投資管理有限公司), a private equity company, where he is mainly responsible for the investment and management of the private equity projects and equity funds raising. Mr. Li has also served as a director of several PRC technology companies since August 2016, including Jiaying Jiasai Information Technology Co., Ltd. (嘉興嘉賽信息技術有限公司), a leading mobile software security service provider; Beijing Youliang Living Science Co., Ltd. (北京優糧生活科技有限公司), a company primarily engaged in new pattern take-away service industry; Hangzhou Feizhu Technology Co., Ltd. (杭州菲助科技有限公司), a mobile internet company primarily engaged in online English education; and Shanghai Bijia Information Technology Co., Ltd. (上海畢甲信息科技有限公司), a company primarily engaged in researching and developing high-density server, where he is responsible for operation and management of such companies. Since October 2016, he has been the director of GrubMarket, Inc., an American e-commerce company primarily engaged in distribution of organic fresh food, where he is responsible for operation and management of the company.

Mr. Li obtained his bachelor's degree in electronic and information engineering from Zhejiang University (浙江大學) in the PRC in June 2010. He obtained his master's degree in science from Columbia University in the USA in February 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cao Guohua (曹國華), aged 54, was appointed as the independent non-executive Director in October 2020. Mr. Cao is primarily responsible for the provision of independent advice to the Board.

Mr. Cao has more than eight years of experience in real estate industry. Mr. Cao has been working in the College of Business Administration in Chongqing University (重慶大學) since July 1992, where he successively served as an assistant from July 1992 to September 1995, a lecturer from September 1995 to September 2000, an associate professor from September 2000 to September 2006, and a professor since September 2006.

The following table shows the relevant experience of Mr. Cao as a non-executive director in several listed companies:

Period of time	Name of entity	Position	Principle business activities
April 2012 to June 2018	Dongfeng Technology Group Co., Ltd. (東豐科技集團股份有限公司)	Independent director	A real estate company listed on the Shenzhen Stock Exchange (stock code: 200160)
August 2012 to April 2020	Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司)	Independent director	A real estate company listed on the Shenzhen Stock Exchange (stock code: 000514)

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Period of time	Name of entity	Position	Principle business activities
January 2015 to September 2017	Chongqing Jianfeng Chemical Co., Ltd. (重慶建峰化工股份有限公司)	Independent director	A chemical company listed on the Shenzhen Stock Exchange (stock code: 000950)
May 2015 to May 2017	Jinke Property	Independent director	A real estate company listed on the Shenzhen Stock Exchange (stock code:000656)
November 2014 to now	Chongqing Rural Commercial Bank (重慶農村商業銀行)	Independent Non-executive director	A bank listed on the Stock Exchange (stock code HK03618) and the Shanghai Stock Exchange (stock code: 601077)
September 2020 to December 2020	Porton Pharma Solutions Ltd. (重慶博騰製藥科技股份有限公司)	Independent director	A pharmaceutical technology company listed on the Shenzhen Stock Exchange (stock code: 300363)
October 2020 to now	Pingdingshan Oriental Carbon Co., Ltd. (平頂山東方碳素股份有限公司)	Independent director	A non-ferrous industrial company listed on the National Equities Exchange and Quotations (stock code: 832175)

Since August 2015, Mr. Cao has been a non-executive director of Chongqing Electro-Mechanical Holding Group Xinbo Investment Co., Ltd. (重慶機電控股集團信博投資管理有限公司), an investment management company. Since June 2014, Mr. Cao has been an external director of Chongqing Tourism Investment Group Co., Ltd. (重慶旅遊投資集團有限公司), a company primarily engaged in tourism business and tourism investment development, where he is mainly responsible for the provision of independent advice to the board.

Mr. Cao obtained his bachelor's degree in mathematics from Anhui Normal University (安徽師範大學) in the PRC in July 1989. He obtained his master's degree in mathematics from Sichuan University (四川大學) in the PRC in June 1992. He obtained his doctor's degree in economics and business management from Chongqing University (重慶大學) in the PRC in December 1999. Mr. Cao obtained the independent non-executive director qualification certificate from the Shanghai Stock Exchange in November 2019.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Yuan Lin (袁林), aged 56, was appointed as the independent non-executive Director in October 2020. Ms. Yuan is primarily responsible for the provision of independent advice to the Board.

From June 1988 to July 1993, Ms. Yuan served as an assistant and a lecturer at Sichuan Provincial Political and Judicial Management Cadre College (四川政法管理幹部學院), where she was mainly responsible for teaching criminal law curriculum. From July 1993 to November 2005, she served as a teacher at Sichuan Radio and TV University (四川廣播電視大學) and served as the deputy director of the teaching department from January 2005 to November 2005, where she was mainly responsible for teaching law curriculum and teaching management. Ms. Yuan has served as the professor and tutor of postgraduates and doctoral students of Southwest University of Political Science and Law (西南政法大學) since December 2005 and she has also served as the director of the Research Center of Protection of the Rights of Special Community and Crime Prevention (特殊群體權利保護與犯罪預防研究中心) since December 2012, where she was mainly responsible for teaching and research of criminal law and criminology, supervising postgraduates and doctoral students.

In addition to the working experience above, the table below shows the working experience of Ms. Yuan being a director of various companies:

Period of time	Name of entity	Position(s)	Principle business	
			activities	Responsibilities
From December 2013 to December 2016	Chongqing Yunhe Hydropower Inc (重慶雲河水電股份有限公司)	Independent director	Manufacturing of hydroelectric equipment	Provision of independent advice to the board
Since July 2014	Chongqing Iron and Steel (Group) Co., Ltd. (重慶鋼鐵(集團)有限責任公司)	External director	Steel production	Provision of independent advice to the board
Since February 2015	Chongqing Construction Investment Co., Ltd. (重慶建工投資控股有限責任公司)	External director	Construction engineering	Provision of independent advice to the board
Since May 2019	Evergrande Life Assurance Co., Ltd. (恒大人壽保險有限公司)	Independent director	Life insurance	Provision of independent advice to the board

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table shows the relevant experience of Ms. Yuan as an independent director in several listed companies:

Period of time	Name of entity	Position	Principle business activities
August 2016 to now	Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司)	Independent director	A real estate company listed on the Shenzhen Stock Exchange (stock code: 000514)
May 2014 to May 2020	Chongqing Zhifei Biological Products Co., Ltd. (重慶智飛生物製品股份有限公司)	Independent director	A company engaged in the research and production of biological products and listed on the Shenzhen Stock Exchange (stock code: 300122)
October 2017 to October 2020	Chongqing Landai Powertrain Corp., Ltd. (重慶藍黛動力傳動機械股份有限公司)	Independent director	A company engaged in automotive components manufacturing and listed on the Shenzhen Stock Exchange (stock code: 002765)

Ms. Yuan obtained her bachelor's degree in law from Nankai University (南開大學) in the PRC in July 1986. She obtained her master's degree in criminal law and her doctor's degree in criminal law from Southwest University of Political Science and Law (西南政法大學) in the PRC in March 1991 and June 2010, respectively. Ms. Yuan obtained the certificate of completion of senior management of PRC listed companies in March 2013 and the certificate of completion of the follow-up training of independent non-executive director of PRC listed companies in August 2017 from the Shenzhen Stock Exchange. Ms. Yuan has been serving as the vice chairman of the Chinese Society of Criminology (中國犯罪學學會) since August 2012, an expert member of the Judges Selection Committee of Chongqing (重慶市法官遴選委員會) since September 2015, a member of the Fifth Chongqing People's Congress (第五屆重慶市人民代表大會) since January 2018, and a member of the Commission of Supervisory and Judicial Affairs of Chongqing People's Congress Standing Committee (重慶市人大常委会監察和司法委員會) since January 2019.

Mr. Chan Chi Fung Leo (陳志峰), aged 42, was appointed as the independent non-executive Director in October 2020. Mr. Chan is primarily responsible for the provision of independent advice to the Board.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chan has over 18 years of experience in finance and accounting industry. From September 2001 to March 2004, he was a staff accountant at Ernst & Young, where he was mainly responsible for auditing. From January 2005 to June 2006, he was an executive at Kingsway Group Services Limited, where he was mainly responsible for IPO and merger and acquisition projects. From June 2006 to July 2007, he was an associate at corporate finance department of CCB International Capital Limited. From August 2007 to December 2011, he worked at BNP Paribas (Asia Pacific) Limited and his last position was an associate at corporate finance department, where he was mainly responsible for IPO and merger and acquisition projects. From December 2011 to April 2015, he served with CITIC Securities International Company Limited, and his last position was a director at corporate finance department, where he was mainly responsible for IPO and merger and acquisition projects. From May 2015 to April 2016, Mr. Chan was a deputy managing director of VBG Capital Limited, where he was mainly responsible for IPO and merger and acquisition projects. From May 2016 to October 2017, Mr. Chan was the managing director of LY Capital Limited, where he was mainly responsible for IPO and merger and acquisition projects. Since October 2017, Mr. Chan is the managing director of Red Solar Capital Limited, where he is mainly responsible for IPO and merger and acquisition projects.

Since August 2017, Mr. Chan has been an independent non-executive director of Sisram Medical Ltd, a listed company on the Stock Exchange (stock code: 1696). Since June 2018, Mr. Chan has also been an independent non-executive director of Ziyuanyuan Holdings Group Limited, a listed company on the Stock Exchange (stock code: 8223).

Mr. Chan obtained his bachelor's degree in business administration from the Hong Kong University of Science and Technology in Hong Kong in November 2001. Mr. Chan has been a member of Hong Kong Institute of Certified Public Accountants since October 2005.

Save as disclosed above, none of the Directors have held any other directorships in listed companies during the three years immediately preceding the date of this annual report.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no information relating to the Directors that is required to be disclosed pursuant to paragraphs (b) to (v) or Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of the Shareholders as at the date of this annual report.

SUPERVISORS

Mr. Yu Yong (余勇), aged 49, was appointed as the Supervisor and the president of the Supervisory Committee on 25 May 2020. Mr. Yu is primarily responsible for presiding the work of the Supervisory Committee, supervising the Board and the senior management of the Company. Mr. Yu joined Jinke Property in June 2017 as the member of the party committee, mainly responsible for party affairs. Mr. Yu was appointed as the party committee secretary of the Company in June 2017, mainly responsible for party affairs.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Prior to joining Jinke Property and the Company, Mr. Yu successively served as a teacher in Chongqing Bishan District Zhongxing Primary School (重慶市璧山區中興小學) from July 1990 to August 1999 and Chongqing Bishan Qinggang Junior Middle School (重慶市璧山縣青槓初級中學校) (now known as Chongqing Bishan District Junior Middle School (重慶市璧山區青槓初級中學校)) from September 1999 to June 2002. From July 2002 to October 2006, he served as the chief of the political bureau of the United Front Work Department of the Communist Party of China Chongqing Bishan District Committee (中共重慶市璧山區委統戰部) and was primarily responsible for the united front work of non-public economy and non-Party cadres. From November 2006 to March 2010, he served as the secretary general of the Federation of Industry and Commerce of Chongqing Bishan District (重慶市璧山區工商業聯合會), primarily responsible for the daily affairs, and from April 2010 to March 2017, he successively served as an assistant to the minister of the member department, the deputy director of the research office, and the deputy minister of the economic affairs department of the Chongqing Federation of Industry and Commerce (重慶市工商業聯合會), where he was primarily responsible for research on private economy, development of the private enterprises and the small and medium-sized enterprises.

Mr. Yu obtained his bachelor's degree in Chinese language and literature from Chongqing College of Education (重慶教育學院) in the PRC by way of correspondence education in June 2004. He obtained his master's degree in administrative management from Party School of Chongqing Party Committee (中共重慶市委黨校) in the PRC in June 2010.

Mr. Han Chong (韓翀), aged 48, was appointed as the Supervisor on 25 May 2020. Mr. Han is primarily responsible for supervising the Board and the senior management of the Company.

From November 1999 to July 2004, he served as an auditor of Chongqing Zhongding Accounting Firm (重慶中鼎會計師事務所), where he was mainly responsible for auditing and consultation. From July 2004 to October 2006, he served as an auditor of Chongqing Puhua Accounting Firm (重慶普華會計師事務所), where he was mainly responsible for auditing and consultation. Since October 2006, he has been serving as the person-in-charge of the auditor department of Jinke Property, where he was mainly responsible for internal auditing.

Mr. Han obtained his associate's degree in accounting from Chongqing College of Commerce (重慶商學院) in the PRC in July 1994. He obtained the Certified Public Accountant certificate in November 2002 issued by Chongqing Institute of Certified Public Accountants.

Ms. Ren Wenjuan (任文娟), aged 36, was appointed as the Supervisor on 25 May 2020. Ms. Ren is primarily responsible for supervising the Board and the senior management of the Company. Ms. Ren joined the Group as the human resources and administrative assistant in September 2012 and was promoted to the administrative director in March 2019. In March 2021, Ms. Ren was appointed as the deputy general manager of administration and service department of the Company, mainly responsible for administrative management of the Company.

Prior to joining the Group, from July 2007 to June 2010, Ms. Ren served as an administrative director of Chongqing Branch of Jiatong Tire (China) Investment Co., Ltd. (佳通輪胎(中國)投資有限公司), an investment company, where she was mainly responsible for administrative management.

Ms. Ren obtained her bachelor's degree in accounting from Chengdu University of Information Technology (成都信息工程學院) in the PRC in July 2007.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no information relating to the Supervisors that is required to be disclosed pursuant to paragraphs (b) to (v) or Rule 13.51(2) of the Listing Rules or any other matters concerning any Supervisor that needs to be brought to the attention of the Shareholders as at the date of this annual report.

SENIOR MANAGEMENT

The executive Directors are responsible for the day-to-day operations and management of the business of the Group. For the biographical details of Mr. Xia Shaofei, Mr. Luo Chuansong and Mr. Xu Guofu, please refer to “ – Executive Directors” in this section.

JOINT COMPANY SECRETARIES

Mr. Xu Guofu (徐國富), aged 37, was appointed as the joint company secretary on 20 June 2020. For details of Mr. Xu, please refer to “ – Executive Directors” in this section.

Mr. Lau Kwok Yin (劉國賢) was appointed as the joint company secretary on 20 June 2020.

Mr. Lau is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited. He has over 10 years of experience in corporate secretarial services, finance and banking operations. He holds a bachelor of business administration degree in accounting and finance from The University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charter holder and a fellow member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute.

CORPORATE GOVERNANCE REPORT

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for securities transactions conducted by Directors, Supervisors and relevant employees of the Company. After making specific enquires to all the Directors, Supervisors and relevant employees of the Company, each of them has confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing Date until 31 December 2020.

The Company is not aware of any incident of non-compliance of the Model Code committed by any Directors, Supervisors or relevant employees during the year.

CORPORATE GOVERNANCE

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “CG Code”) as its own code of corporate governance.

Except for the deviation from code provision A.2.1 of the CG Code, the Company’s corporate governance practices have complied with the code on corporate governance practices during the period from the Listing Date to 31 December 2020. The Company will continue to review and monitor its corporate governance practice to ensure the compliance of the CG Code.

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 CG 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.

During the period from the Listing Date up to 31 December 2020, the corporate governance functions stipulated in code provision D.3.1 of the CG Code were performed by the Board, which included: (i) developing and reviewing the Company’s policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company’s policies and practices on legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (v) reviewing the Company’s compliance with the CG Code and disclosure in the corporate governance report.

CORPORATE GOVERNANCE REPORT

TRAININGS OF THE DIRECTORS

Immediately prior to the Listing, all Directors have been given a comprehensive training session covering a wide range of topics including but not limited to directors' duties and responsibilities, corporate governance and continuing obligations of a listed company.

To ensure that each Director's better understanding in respect of the Company's conduct and business activities to perform their responsibilities as a Director, the Company will arrange appropriate training, including arranging and funding suitable training and professional development programme for the Directors. For newly appointed Directors, the Company shall also arrange for suitable induction training, so as to ensure that they have an appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements upon commencement of their directorship in the Company. During the year ended 31 December 2020, all the Directors, together with the relevant senior management of the Company, have attended suitable induction and/or trainings arranged by the Company.

THE BOARD

The Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The functions and powers of the Board include convening general meetings and reporting the Board's work at the general meetings, implementing resolutions of the general meetings, determining the Group's business and investment plans, preparing annual financial budgets and final accounts of the Group, formulating proposals for profit distributions and plans for making up losses, and exercising other powers, functions and duties as conferred by the Articles of Association.

The Board assumes the responsibility of leadership and control of the Company, and supervises and approves strategic development objectives, significant decisions of operations and financial performance of the Company, and the senior management of the Company is responsible for the day-to-day operations and management of the business of the Group.

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "Board Committees") and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities. All the Board Committees perform their distinct roles in accordance with their respective terms of reference.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

EXECUTIVE DIRECTORS

Mr. Xia Shaofei (*Chairman and President*)

Mr. Luo Chuansong

Mr. Xu Guofu

NON-EXECUTIVE DIRECTORS

Mr. Luo Licheng

Mr. Liang Zhongtai

Mr. Li Nan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cao Guohua

Ms. Yuan Lin

Mr. Chan Chi Fung Leo

Each of the Directors entered into a service contract or appointment letter with the Company. Further details of the term of appointment of the Directors are set out in the section headed “Report of the Directors – Directors’ and Supervisors’ Service Contracts and Appointment Letters” on page 59 of this annual report.

The respective biographical information of the Directors is set out on pages 31 to 39 of this annual report. Save as disclosed, there is no relationship (including financial, business, family or other material relationship) between members of the Board.

During the period from the Listing Date to 31 December 2020, the Board had complied with Rule 3.10 and Rule 3.10A of the Listing Rules relating to the appointment of (i) at least three independent non-executive Directors; (ii) independent non-executive directors representing one-third of the Board; and (iii) at least one independent non-executive Director possessing appropriate qualification, or accounting or related financial management expertise.

The Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers each of the independent non-executive Directors to be independent.

CHAIRMAN AND PRESIDENT

The roles of the chairman and president of the Company are both performed by Mr. Xia Shaofei, an executive Director. Further details are set out in the section headed “Corporate Governance Practices – Corporate Governance” above.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND ANNUAL GENERAL MEETING

The Board meets regularly to discuss and formulate the overall strategy, operations and financial performance of the Group. Board meetings are held at least four times a year and notices of Board meetings are given to the Directors 14 days before the convening of the meeting, in order to give all Directors the opportunity to attend.

During the year ended 31 December 2020, the Board held five Board meetings and the Directors made positive contributions to the affairs of the Group. The attendance record of each Director is set out below:

Name of Director	Number of meetings attended/ Number of meetings held during the year ended 31 December 2020
Executive Directors	
Mr. Xia Shaofei (<i>Chairman and President</i>)	5/5
Mr. Luo Chuansong	5/5
Mr. Xu Guofu	5/5
Non-executive Directors	
Mr. Luo Licheng	5/5
Mr. Liang Zhongtai	5/5
Mr. Li Nan	5/5
Independent non-executive Directors	
Mr. Cao Guohua	2/2 ⁽¹⁾
Ms. Yuan Lin	2/2 ⁽¹⁾
Mr. Chan Chi Fung Leo	2/2 ⁽¹⁾

Notes:

1. Each of Mr. Cao Guohua, Ms. Yuan Lin and Mr. Chan Chi Fung Leo has been appointed as independent non-executive Director with effect from 27 October 2020. As at 31 December 2020, 2 Board meetings were held since the effective date of their appointments.

As the Company was listed on the Main Board of the Stock Exchange on 17 November 2020, no general meeting was held during the period from the Listing Date to 31 December 2020.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities. Each of the Board Committees has specific written terms of reference which clearly specify their authority and duties. The Board Committees will report their findings and recommendations to the Board after each meeting of the Board Committees.

AUDIT COMMITTEE

The Group has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three members, namely Mr. Chan Chi Fung Leo, Mr. Liang Zhongtai and Mr. Cao Guohua. 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.

The primary duties of the Audit Committee are to (i) review and supervise the financial reporting process and internal control system of the Group, risk management and internal audit; (ii) provide advice and comments to the Board; and (iii) perform other duties and responsibilities as may be assigned by the Board.

As the Company was listed on the Main Board of the Stock Exchange on 17 November 2020, no meeting of the Audit Committee was held during the period from the Listing Date to 31 December 2020.

On 24 March 2021, the Audit Committee held a meeting to review (i) the annual consolidated financial statements of the Group, the annual report and annual results announcement of the Company for the year ended 31 December 2020; (ii) the Company's relationship with the external auditor, discussed with the Company's external auditor on the tasks performed by them including the nature and scope of their audit and reporting obligations, and reviewed the terms of engagement and their remuneration; (iii) the appropriateness and effectiveness of the risk management and internal control systems of the Group and make relevant recommendations to the Board; (iv) the effectiveness of the internal audit function of the Group; and (v) the non-compete undertakings provided by the controlling Shareholder and its compliance with such undertakings; and (vi) the continuing connected transactions of the Group.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Group has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The Remuneration Committee consists of one non-executive Director and two independent non-executive Directors, namely, Mr. Luo Licheng, Mr. Cao Guohua and Ms. Yuan Lin. The chairlady of the Remuneration Committee is Ms. Yuan Lin.

The primary duties of the Remuneration Committee are to (i) establish, review and provide advices to the Board on the Group's policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determine the terms of the specific remuneration package of each executive Director and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time-to-time.

As the Company was listed on the Main Board of the Stock Exchange on 17 November 2020, no meeting of the Remuneration Committee was held during the period from the Listing Date to 31 December 2020.

On 24 March 2021, the Remuneration Committee held a meeting to (i) discuss and make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration; (ii) review the remuneration packages of individual Directors and senior management; and (iii) formulate the Company's remuneration and benefits policy and performance appraisal system.

NOMINATION COMMITTEE

The Group has established the Nomination Committee with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee consists of one executive Director and two independent non-executive Directors, namely Mr. Xia Shaofei, Ms. Yuan Lin and Mr. Cao Guohua. The chairman of the Nomination Committee is Mr. Xia Shaofei.

The primary duties of the Nomination Committee are to (i) review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of the Board members; (iii) assess the independence of the independent non-executive Directors; and (iv) make recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of the Directors and succession planning for the Directors.

As the Company was listed on the Main Board of the Stock Exchange on 17 November 2020, no meeting of the Nomination Committee was held during the period from the Listing Date to 31 December 2020.

On 24 March 2021, the Nomination Committee held a meeting to (i) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board; (ii) assess the independence of independent non-executive Directors; and (iii) review the measurable objectives for implementing the policy on Board diversity (the "Board Diversity Policy").

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

The Company has adopted the Nomination Policy which sets out the selection criteria and procedures to nominate Board candidates. When making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, the Nomination Committee would consider a number of factors in assessing the suitability of the proposed candidate, including but not limited to:

- (i) reputation for integrity;
- (ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- (iii) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;
- (iv) the ability to assist and support management and make significant contributions to the Group;
- (v) commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board Committees;
- (vi) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment or re-appointment of an independent non-executive Directors; and
- (vii) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

Appointment of any proposed candidates to the Board or re-appointment of any existing members of the Board shall be made in accordance with the Articles of Association and other applicable rules and regulations. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of having a diversified Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, ethnicity, experience, independence and knowledge.

The Directors have a balanced mix of knowledge and skills, including overall management and strategic development, human resources, information technology, accounting and financial management, and corporate governance. They obtained degrees in various majors including accounting, marketing, financial management, science, business administration, electronic and information engineering, industrial engineering and operations, mathematics and law. The Company has three independent non-executive Directors with different industry backgrounds, representing a third of the members of the Board. Furthermore, the Board has a wide range of age, ranging from 33 years to 56 years old. Taking into account the Group's existing business model and specific needs as well as the different background of the Directors, the composition of the Board satisfies the Board Diversity Policy.

CORPORATE GOVERNANCE REPORT

The Company will continue to implement measures and steps to promote and enhance gender diversity at all levels of the Company. The Company will select potential Board candidates based on merit and his/her potential contribution to the Board while taking into account the Board Diversity Policy and other factors. The Company will also take into consideration the Group's business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Nomination Committee will review the Nomination Policy and the Board Diversity Policy from time to time to ensure its implementation and monitor its continued effectiveness.

Based on the Nomination Committee's review for the year ended 31 December 2020, the Nomination Committee considered that there was sufficient diversity in the Board for the Company's corporate governance and business development needs.

ANNUAL REMUNERATION PAYABLE TO THE DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

The annual remuneration of the Directors and members of the senior management by band for the year ended 31 December 2020 is as follows:

Remuneration bands (RMB)	Number of individuals
Nil – 1,000,000	6
1,000,001 – 1,500,000	1
1,500,001 – 2,000,000	nil
2,000,001 – 2,500,000	1
2,500,001 – 3,000,000	nil
3,000,001 – 3,500,000	nil
3,500,001 – 4,000,000	1

Details of the remuneration of the Directors and members of the senior management are set out in note 35 to the consolidated financial statements.

AUDITOR'S REMUNERATION

The Company has appointed PricewaterhouseCoopers as its external auditor for the year ended 31 December 2020.

During the year ended 31 December 2020, the remunerations paid or payable to PricewaterhouseCoopers in respect of its statutory audit services and non-audit services are RMB1.9 million and nil, respectively.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2020, which give a true and fair view of the state of affairs of the Group and of the operating results and cash flow for the year. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates, reasonable information and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

CORPORATE GOVERNANCE REPORT

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 77 to 81 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the Company's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT STRUCTURE OF THE COMPANY

The Group has implemented various risk management policies and measures to identify, assess, manage and monitor risks arising from its operations. Risks identified by the Group's management team, internal and external reporting mechanism, remedial measures and contingency management have been codified in the Group's policies.

The Group strives to foster a strong compliance culture among its employees. To achieve such compliance culture and set the expectations for individual behavior across the Group, the Group has adopted procedures and policies to ensure strict accountability of individual employees, and regularly conduct internal compliance checks and inspections and conduct compliance training.

RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURE

The Company has established internal control measures led by the Board whereby the management is responsible for assisting the Board in completing the identification and evaluation of risk factors of the business systems, implementing the Company's policies and procedures and participating in the design and operation of such measures that meet the Company's management requirements, which provides reliable assurance for the Company to carry out its business to prevent the occurrence of significant operational risks and losses. The Group also has an internal audit and risk control function which primarily carries out analysis and independent appraisal of the adequacy and effectiveness of its risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis.

RISK MANAGEMENT AND INTERNAL CONTROL REVIEW

A review of the effectiveness of the Group's risk management and internal control systems, including financial, operation and compliance controls, will be conducted by the Board at least annually. The Board reviews each year the effectiveness of the Group's risk management and internal control systems for the previous financial year, and makes evaluations and suggestions on the Group's risk management and internal control systems and process through internal and external professionals and institutions.

CORPORATE GOVERNANCE REPORT

The annual review in respect of the year ended 31 December 2020 has considered, among others (i) adequacy of resources; (ii) staff qualifications and experience; (iii) training programmes for the staff; and (iv) budget of the Group's accounting, internal audit and financial reporting functions. The Board also conducted a comprehensive evaluation on the timeliness, effectiveness and normativity of the procedures for handling and releasing inside information of the Company, as well as the effectiveness of the Company's processes for financial reporting and Listing Rule compliance.

For the year ended 31 December 2020, the Board considers that the risk management and internal control systems of the Company are effective and adequate.

DISSEMINATION OF INSIDE INFORMATION

The Group has in place a framework for the disclosure of inside information by reference to the Guidelines on Disclosure of Inside Information issued by the SFC. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in an appropriate and timely manner, such as steps to ascertain sufficient details, conduct internal assessment of the matter and its likely impact on the Company, seek professional advice where required and verification of the facts. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

SHAREHOLDERS' RIGHT

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

The Company shall convene an extraordinary general meeting within two months from the date when such meeting is requested in writing by a Shareholder alone or Shareholders together holding over 10% of the Company's outstanding voting Shares (the number of Shares held by such Shareholder(s) shall be calculated based on the number of Shares held at the close of trading on the date when such Shareholder(s) request in writing, or if the written request is made on a non-trading day, the number of Shares held at the close of trading on the preceding trading day).

In accordance with Article 58 of the Articles of Association, Shareholders requesting the convening of an extraordinary general meeting or a class Shareholders' meeting shall do so by the procedure set forth below:

- (i) Shareholders individually or jointly holding at least 10% of the Shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting that the Board convene an extraordinary general meeting or a class Shareholders' meeting and stating the subject to be discussed at the meeting; the Board shall convene the extraordinary general meeting or the class Shareholders' meeting as soon as possible after having received the aforementioned written request; the shareholding referred to above shall be calculated as at the day on which the written request is made.
- (ii) If the Board fails to issue a notice to convene such meeting within 30 days after having received the aforementioned written request, the Shareholders who made such request may themselves convene the meeting within four months after the Board received the request. The procedure according to which they convene such meeting shall, to the extent possible, be identical to the procedure according to which general meetings are to be convened by the Board.

CORPORATE GOVERNANCE REPORT

- (iii) If the Board is unable to or fails to perform its duty of convening the general meeting, the Supervisory Committee shall convene and preside over the meeting in a timely manner. If the Supervisory Committee fails to issue a notice to convene such meeting within 30 days after having received the aforementioned written request, Shareholders individually or jointly holding over 10% of the Shares for at least 90 days in succession may themselves convene the meeting within four months after the Board received the request. The procedure according to which they convene such meeting shall, to the extent possible, be identical to the procedure according to which general meetings are to be convened by the Board.

If Shareholders convene and hold a meeting themselves because the Board failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such Shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

In accordance with Article 63 of the Articles of Association, a Shareholder alone or Shareholders together holding at least 3% of the Shares may submit extempore motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore motion within two days after receipt of the motion, and submit such extempore motion to the general meeting for consideration. The contents of such an extempore motion shall fall within the scope of the functions and powers of the general meeting, and contain a clear topic and a specific resolution.

Except as provided in the preceding paragraph, the convener may not make any changes to the motions set forth in the notice of the general meeting or add any new motions once the notice and announcement of the general meeting have been issued.

The general meeting may not vote and pass resolution on motions that are not set forth in the notice of the general meeting or that are not consistent with Article 62 of the Articles of Association. Article 62 of the Articles of Association stipulates that motions before the general meeting shall be in writing. The contents of motions before the general meeting shall fall within the scope of the functions and powers of the general meeting, contain a clear topic and a specific resolution and comply with relevant provisions of laws and the Articles of Association.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time make enquiries to the Board in writing through the contact details as follows:

By post: 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Email: IRJKS@jinke.com
Attention: the Board Office

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Xu Guofu and Mr. Lau Kwok Yin as the joint company secretaries of the Company. Please refer to the section headed “Biographies of Directors, Supervisors and Senior Management” in this annual report for their respective biographical information.

Mr. Xu Guofu, an executive Director, deputy general manager and chief financial officer of the Company, is the primary contact of Mr. Lau Kwok Yin at the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. Xu Guofu and Mr. Lau Kwok Yin both undertook not less than 15 hours of relevant professional training during the year ended 31 December 2020.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has conditionally adopted the Articles of Association on 10 June 2020, which came into effect on the Listing Date.

On 16 December 2020, the Company proposed to amend and update Article 19 of the Articles of Association (the “Proposed Amendment”) in order to reflect the increase in the total number of issued Shares as a result of the full exercise of the Over-allotment Option (the “Capital Increase”). Pursuant to the Shareholders’ resolutions passed at the extraordinary general meeting of the Company held on 10 June 2020 as disclosed in the Prospectus, any subsequent amendment to the Articles of Association to reflect the Capital Increase following the completion of the global offering (including the exercise of the Over-allotment Option) had been approved and confirmed by the then Shareholders. As the Proposed Amendment is not subject to further approval by the Shareholders, the Proposed Amendment has become effective on 16 December 2020. For further details, please refer to the announcement of the Company dated 16 December 2020.

An up-to-date version of the Company’s Articles of Association is also available on the websites of the Company and of the Stock Exchange.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 82 of this annual report.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past four financial years is set out on pages 178 to 179 of this annual report.

SHARE CAPITAL AND SHARES ISSUED

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.

As at 31 December 2020, 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. The net price of each H Share issued in connection with the Listing was approximately HK\$43.28.

Details of movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 23 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2020 are set out in note 34 to the consolidated financial statements. As at 31 December 2020, distributable reserves of the Company amounted to RMB509.6 million.

REPORT OF THE DIRECTORS

BORROWINGS

Details of borrowings of the Group during the year ended 31 December 2020 are set out in note 26 to the consolidated financial statements.

DEBENTURES

During the year ended 31 December 2020, the Company did not issued any debentures.

DIVIDEND POLICY AND FINAL DIVIDEND

DIVIDEND POLICY

The Group does not set any dividend payout ratio. The payment and amounts of dividends (if any) depend on the Group's results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividend paid by the Group, future prospects and other factors which the Group considers relevant. The declaration, payment and amount of dividends will be subject to the discretion of the Board. The proposed payment of dividends is also subject to the absolute discretion of the Board and any declaration of final dividend for the year will be subject to the approval of the Shareholders. The Board will review the dividend policy on an annual basis.

FINAL DIVIDEND

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

As at 31 December 2020, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

REPORT OF THE DIRECTORS

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) which came into effect on 1 January 2008, and amended on 24 February 2017 and 29 December 2018, the Provision for Implementation of Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) which took effect on 1 January 2008, and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008] 897號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the Final Dividend as enterprise income tax, distribute the Final Dividend to non-resident enterprise shareholders whose names appear on the H Shares register of members of the Company, i.e. any shareholders who hold H Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or shareholders of H Shares registered in the name of other organizations and groups. After receiving dividends, the non-resident enterprises shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such taxation treaties (arrangement). After the tax authorities have verified that there is no error, it shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant taxation treaties (arrangement).

Pursuant to the Notice on the Issues Regarding Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (Guo Shui han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of H Shares. If the individual holders of H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the relevant tax treaties, the Company may apply, on behalf of such Shareholders and according to the relevant tax treaties, for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Measures on Enjoying Treatment under Tax Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2015, No. 60) (《非居民納稅人享受稅收協議待遇管理辦法》(國家稅務總局公告2015年第60號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authorities.

If the individual holders of H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

REPORT OF THE DIRECTORS

If the individual holders of H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders. Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares in the PRC and in Hong Kong and other tax effects.

Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen- Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends and bonus received by domestic investors from investing in H shares listed on the Stock Exchange through southbound trading, the company of such H shares shall withhold individual income tax at the rate of 20% on behalf of the investors. For dividends and bonus received by domestic securities investment funds from investing in shares listed on the Stock Exchange through southbound trading, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold the income tax for dividends and bonus on behalf of domestic enterprise investors and those domestic enterprise investors shall declare and pay the relevant tax themselves.

CLOSURE OF REGISTER OF MEMBERS

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

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, revenue attributable to the five largest customers of the Group accounted for less than 30% of the Group's total revenue in the year, and the purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases in the year.

REPORT OF THE DIRECTORS

EQUITY LINKED AGREEMENTS

During the year ended 31 December 2020, no equity-linked agreements were entered into by the Company or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

BOARD OF DIRECTORS AND SUPERVISORS COMMITTEE

The Directors and the Supervisors during the year ended 31 December 2020 and up to the date of this annual report are set out below:

EXECUTIVE DIRECTORS

Mr. Xia Shaofei
Mr. Luo Chuansong
Mr. Xu Guofu

NON-EXECUTIVE DIRECTORS

Mr. Luo Licheng
Mr. Liang Zhongtai
Mr. Li Nan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cao Guohua
Ms. Yuan Lin
Mr. Chan Chi Fung Leo

SUPERVISORS

Mr. Yu Yong
Mr. Han Chong
Ms. Ren Wenjuan

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the Directors and Supervisors entered into a service contract or appointment letter with the Company. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations from time to time.

The appointment of all the Directors is effective from the respective appointment date until the expiry of the term of the first session of the Board. The appointment of all the Supervisors is effective from the respective appointment date until the expiry of the term of the first session of the Supervisory Committee.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of the Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules for the year ended 31 December 2020. The Company considers each of the independent non-executive Directors to be independent.

DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the Supervisors and those of the five highest paid individuals of the Group for the year ended 31 December 2020 are set out in note 35 and 9 to the consolidated financial statements respectively.

None of the Directors nor the Supervisors waived his/her emoluments or has agreed to waive his/her emoluments for the year ended 31 December 2020.

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" below and the related party transactions as set out in note 31 to the consolidated financial statements, there was no transaction, arrangement or contract of significance subsisting during or at the end of the year ended 31 December 2020, to which the Company, its holding company or subsidiary was a party, and in which the Directors or the Supervisors or their respective connected entities were materially interested, either directly or indirectly.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, none of the Directors, the Supervisors nor their respective close associates were interested in any business apart from the Group's businesses, which competes or likely to compete, either directly or indirectly, with the businesses of the Group.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

During the year ended 31 December 2020, no contract concerning the management of the whole or substantial part of any business of the Company was entered into, or subsisted at the end of the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

None of the Company, its holding company, or any of its subsidiaries was a party to any arrangement enabling the Directors to acquire benefits by means of the acquisition of equity or debt securities, including the debentures of the Company or any other body corporate during the year ended 31 December 2020.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" below and the related party transactions as set out in note 31 to the consolidated financial statements, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended 31 December 2020.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDER

Jinke Property has entered into the Deed of Non-Competition in favor of the Company, details of which are set out in the section headed "Relationship with our Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

Jinke Property has confirmed to the Company that, since the Listing Date and up to 31 December 2020, it has complied with the Deed of Non-Competition as disclosed in the Prospectus (the "Undertakings").

The independent non-executive Directors have reviewed the compliance with the Deed of Non-Competition by Jinke Property. On the basis that: (i) the Company has received the confirmation from Jinke Property regarding the Undertakings; (ii) there was no competing business reported by Jinke Property; and (iii) there was no particular situation rendering the full compliance of the Undertakings being questionable, the independent non-executive Directors are of the view that the Deed of Non-Competition has been complied with and enforced by the Company during the period from the Listing Date to 31 December 2020.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Company conducted the following transactions which constitute non-exempt continuing connected transactions (as defined in the Listing Rules) of the Company, details of these transactions are set out below:

1 Master Sales Agreement

On 29 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a master sales agreement with Jinke Property (for itself and on behalf of other members of Jinke Property Group and its associates) (the “**Master Sales Agreement**”), pursuant to which Jinke Property will purchase, or procure other members of Jinke Property Group and its associates to purchase, from the Group customized gifts and daily necessities, which will be used in the marketing promotional activities of Jinke Property Group and its associates, sales offices or as employee benefits of Jinke Property Group and its associates. The Master Sales Agreement has a term commencing from the Listing Date to 31 December 2022. Relevant members of both parties will enter into separate purchase agreements setting out the specific terms and conditions based on the principles provided in the Master Sales Agreement.

The Directors estimate that the maximum annual amount payable by Jinke Property Group and its associates under the Master Sales Agreement for each of the three years ending 31 December 2022 will not exceed RMB12.4 million, RMB14.1 million and RMB16.2 million, respectively. For the year ended 31 December 2020, the actual transaction amounts under the Master Sales Agreement was approximately RMB6.1 million.

Jinke Property is the Controlling Shareholder and therefore Jinke Property is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Sales Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

2 Master Purchase Agreement

On 29 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a master purchase agreement with Jinke Property (for itself and on behalf of other members of Jinke Property Group) (the “**Master Purchase Agreement**”), pursuant to which the Group will purchase from Jinke Property Group certain services and products, including but not limited to hotel and catering services for guests of the Group in the course of its business operations and processed food for the Group’s employee benefits during the Chinese traditional festivals. The Master Purchase Agreement has a term commencing from the Listing Date to 31 December 2022. Relevant members of both parties will enter into separate purchase agreements setting out the specific terms and conditions based on the principles provided in the Master Purchase Agreement.

The Directors estimate that the maximum annual amount payable by the Group under the Master Purchase Agreement for each of the three years ending 31 December 2022 will not exceed RMB3.8 million, RMB5.7 million and RMB8.6 million, respectively. For the year ended 31 December 2020, the actual transaction amounts under the Master Purchase Agreement was approximately RMB2.1 million.

REPORT OF THE DIRECTORS

Jinke Property is the Controlling Shareholder and therefore Jinke Property is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Purchase Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3 Master Supply and Installation Agreement

On 29 October 2020, the Company (for itself and on behalf of its other subsidiaries) entered into a master supply and installation agreement with Jinke Property (for itself and on behalf of other members of Jinke Property Group and its associates) (the “**Master Supply and Installation Agreement**”), pursuant to which the Group agreed to (i) supply (a) intelligent systems, including but not limited to access control and surveillance systems, parking lot intelligent management systems, smart home systems and intercom systems; (b) community unmanned retail system; and (c) multimedia display system (the “**Systems**”); and (ii) provide related installation and maintenance services (the “**System Supply and Installation Services**”). The Systems include software systems and equipment. The Master Supply and Installation Agreement has a term commencing from the Listing Date until 31 December 2022.

The Directors estimate that the maximum annual fee payable by Jinke Property Group and its associates in relation to the System Supply and Installation Services for each of the three years ending 31 December 2022 will not exceed RMB44.0 million, RMB70.4 million and RMB105.6 million, respectively. For the year ended 31 December 2020, the actual transaction amounts under the Master Supply and Installation Agreement was approximately RMB39.0 million.

Jinke Property is the Controlling Shareholder and therefore Jinke Property is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Supply and Installation Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4 Master Property Management Services Agreement

On 29 October 2020, the Company (for itself and on behalf of its other subsidiaries) entered into a master property management services agreement (the “**Master Property Management Services Agreement**”) with Jinke Property (for itself and on behalf of other members of Jinke Property Group and its associates), pursuant to which the Group agreed to provide to Jinke Property Group and its associates certain property management services, including but not limited to (i) property pre-delivery services, including but not limited to (a) preliminary planning and design consultancy services; (b) management services for the display units and on-site sales office; (c) house inspection; (d) pre-delivery clean services; and (e) pre-delivery preparation; (ii) after-sales repair and maintenance services; (iii) property management services for the properties owned or used by Jinke Property Group and its associates, including but not limited to the unsold residential property units, car parking lots, office buildings and commercial properties; and (iv) other related services (the “**Property Management Services**”). The Master Property Management Services Agreement has a term commencing from the Listing Date to 31 December 2022.

REPORT OF THE DIRECTORS

The Directors estimate that the maximum annual fee payable by Jinke Property Group and its associates in relation to the Property Management Services for each of the three years ending 31 December 2022 will not exceed RMB738.5 million, RMB932.1 million and RMB1,172.7 million, respectively. For the year ended 31 December 2020, the actual transaction amounts under the Property Management Services was approximately RMB720.4 million.

Jinke Property is the Controlling Shareholder and therefore Jinke Property is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Management Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules which are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the respective agreement governing the above continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATION FROM THE AUDITOR

In accordance with Rule 14A.56 of the Listing Rules, the Group has engaged its auditor to report on the Group's continuing connected transactions. The auditor of the Group have issued a letter to the Board confirming that nothing has come to their attention that causes them to believe that the above continuing connected transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded their respective annual cap.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2020 are disclosed in note 31 to the consolidated financial statements.

The related party transactions as set out in note 31 to the consolidated financial statements also constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has complied with, or otherwise has obtained waivers from the Stock Exchange exempting from, the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions or continuing connected transactions entered into by the Group during the year ended 31 December 2020.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

REPORT OF THE DIRECTORS

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2020, the interests and short positions of the Directors, Supervisors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

(I) INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE REGISTERED CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Interest in the Company

As at 31 December 2020, none of the Directors, Supervisors or chief executive officer of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company, which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code.

Interest in associated corporations of the Company

Name	Name of associated corporation	Nature of Interest	Interest in shares ⁽¹⁾	Percentage holding (approx.)
Xu Guofu (徐國富)	Jinke Property	Beneficial owner	1,126,993 (L)	0.02%
Luo Licheng (羅利成)	Jinke Property	Beneficial owner	9,737,909 (L)	0.18%
Yu Yong (余勇)	Jinke Property	Beneficial owner	100 (L)	0.0000019%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

Save as disclosed above, as at 31 December 2020, none of the Directors, Supervisors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

INTERESTS OF PERSONS OTHER THAN THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 31 December 2020, the following persons, other than a Director, Supervisor or chief executive of the Company, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Shares held in the relevant class of Shares		Percentage of the total issued share capital of the Company (approx.)
			Number	Percentage (approx.)	
Jinke Property	Beneficial owner	Domestic Shares	341,604,375 (L)	68.32%	52.33%
Tianjin Hengye Meihao Management Consulting Partnership (Limited Partnership)* (天津恒業美好管理諮詢合夥企業(有限合夥)) ("Hengye Meihao")	Beneficial owner	Domestic Shares	50,516,464 (L)	10.10%	7.74%
Chongqing Jinhong Trading Co., Ltd.* (重慶金合通商貿有限公司) ("Chongqing Jinhong") ⁽²⁾	Interest in a controlled corporation	Domestic Shares	50,516,464 (L)	10.10%	7.74%
Zhang Yuan (張原) ⁽²⁾	Interest in a controlled corporation	Domestic Shares	50,516,464 (L)	10.10%	7.74%
Riverhead Capital Investment Management Co., Ltd. (陽光融匯資本投資管理有限公司) ("Riverhead Capital") ⁽³⁾	Interest in a controlled corporation	Domestic Shares	40,321,955 (L)	8.06%	6.18%
Beijing Huiyuda Equity Investment Management Center (Limited Partnership)* (北京惠譽達股權投資管理中心(有限合夥)) ("Beijing Huiyuda") ⁽³⁾	Interest in a controlled corporation	Domestic Shares	40,321,955 (L)	8.06%	6.18%
Tibet Longbo Enterprise Management Co., Ltd. (西藏隆博企業管理有限公司) ("Tibet Longbo") ⁽³⁾	Interest in controlled corporations	Domestic Shares	40,321,955 (L)	8.06%	6.18%

REPORT OF THE DIRECTORS

Name of Shareholder	Nature of interest	Class of Shares	Shares held in the relevant class of Shares		Percentage of the total issued share capital of the Company (<i>approx.</i>)
			Number	Percentage (<i>approx.</i>)	
Zhang Wenwen (張文雯) ⁽⁹⁾	Interest in controlled corporations	Domestic Shares	40,321,955 (L)	8.06%	6.18%
Sunshine Asset Management Co., Ltd. (陽光資產管理股份有限公司) ("Sunshine Asset Management") ⁽³⁾	Interest in controlled corporations	Domestic Shares	40,321,955 (L)	8.06%	6.18%
China International Capital Corporation Limited ⁽⁴⁾	Interest in controlled corporations	H Shares	8,982,000 (L)	5.88%	1.38%
CICC Capital Management Co., Ltd.	Beneficial owner	H Shares	8,668,600 (L)	5.67%	1.33%
Morgan Stanley ⁽⁵⁾⁽⁶⁾⁽⁷⁾	Interest in controlled corporations	H Shares	12,614,365 (L)	8.25%	1.93%
			25,000 (S)	0.02%	0.004%
UBS Group AG ⁽⁸⁾	Interest in controlled corporations	H Shares	21,617,000 (L)	14.14%	3.31%
UBS AG	Person having a security interest in shares	H Shares	8,065,100 (L)	5.28%	1.24%
Huatai Securities Co., Ltd. ⁽⁹⁾	Interest in controlled corporations	H Shares	9,063,400 (L)	5.93%	1.39%
			6,677,200 (S)	4.37%	1.02%
Taikang Insurance Group, Inc. ⁽¹⁰⁾⁽¹¹⁾	Interest in controlled corporations	H Shares	13,003,000 (L)	8.51%	1.99%

REPORT OF THE DIRECTORS

Name of Shareholder	Nature of interest	Class of Shares	Shares held in the relevant class of Shares		Percentage of the total issued share capital of the Company (approx.)
			Number	Percentage (approx.)	
Taikang Asset Management Company Limited ⁽¹¹⁾	Interest in controlled corporations	H Shares	13,003,000 (L)	8.51%	1.99%
Taikang Life Insurance Co., LTD ⁽¹⁰⁾	Beneficial owner	H Shares	13,003,000 (L)	8.51%	1.99%
Taikang Asset Management (Hong Kong) Company Limited ⁽¹¹⁾	Investment manager	H Shares	13,003,000 (L)	8.51%	1.99%
Ma Sean (馬自銘) ⁽¹²⁾	Interest in controlled corporations	H Shares	8,668,600 (L)	5.67%	1.33%
Snow Lake Capital (HK) Limited ⁽¹²⁾	Investment manager	H Shares	8,668,600 (L)	5.67%	1.33%
Snow Lake China Master Fund, Ltd. ⁽¹²⁾	Beneficial owner	H Shares	8,668,600 (L)	5.67%	1.33%
Snow Lake China Offshore Fund, Ltd. ⁽¹²⁾	Interest in controlled corporations	H Shares	8,668,600 (L)	5.67%	1.33%
Huang Jiangzhen (黃江圳) ⁽¹³⁾	Interest in controlled corporations	H Shares	8,668,600 (L)	5.67%	1.33%
Zhong Zhen (仲貞) ⁽¹³⁾	Interest in controlled corporations	H Shares	8,668,600 (L)	5.67%	1.33%
Yatou Yinxin (Xiamen) Investment Management Co., Ltd. (亞投銀欣(廈門)投資管理有限公司) ("Yatou Yinxin") ⁽¹³⁾	Interest in controlled corporations	H Shares	8,668,600 (L)	5.67%	1.33%
CICC Grandeur (Xiamen) Equity Investment Fund Partnership (L.P.) ("CICC Grandeur Fund") ⁽¹³⁾⁽¹⁴⁾	Beneficial owner	H Shares	8,668,600 (L)	5.67%	1.33%

REPORT OF THE DIRECTORS

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares, “S” denotes the person’s short position in the Shares.
- (2) The general partner of Hengye Meihao is Chongqing Jinhetong, which is wholly owned by Zhang Yuan (張原). By virtue of the SFO, Chongqing Jinhetong and Zhang Yuan (張原) are deemed to be interested in the Shares held by Hengye Meihao.
- (3) The Company is owned as to 2.72% by Beijing Ronghui Ruiguang Investment Management Center (Limited Partnership)* (北京融匯瑞光投資管理中心(有限合夥)) (“Ronghui Ruiguang”), 2.22% by Beijing Ronghui Yangguang Yongsheng Investment Management Center (Limited Partnership)* (北京融匯陽光永晟投資管理中心(有限合夥)) (“Yangguang Yongsheng”) and 1.44% by Beijing Ronghui Yangguang Xinxing Industries Investment Management Center (Limited Partnership)* (北京融匯陽光新興產業投資管理中心(有限合夥)) (“Yangguang Xinxing”), respectively. The general partner of Ronghui Ruiguang and Yangguang Yongsheng is Beijing Ronghui Yangguang Ruihai Investment Co., Ltd. (北京融匯陽光瑞海投資有限公司), which is owned as to 40% by Riverhead Capital. The general partner of Yangguang Xinxing is Riverhead Capital. Riverhead Capital is held as to 45%, 35%, 15% and 5% by Beijing Huiyuda, Sunshine Asset Management, Tibet Shengbo Enterprise Management Co., Ltd.* (西藏晟博企業管理有限公司) (“Tibet Shengbo”) and Beijing Huixu Jinding Investment Management Co., Ltd.* (北京惠旭金鼎投資管理有限公司), respectively. The general partner of Beijing Huiyuda is Tibet Longbo which is held as to 99.9% by Zhang Wenwen (張文雯). Tibet Shengbo is held as to 50% by Zhang Wenwen (張文雯) and 50% by Fu Ting (付婷), an independent third party. By virtue of the SFO, each of Riverhead Capital, Beijing Huiyuda, Tibet Longbo, Zhang Wenwen (張文雯) and Sunshine Asset Management is deemed to be interested in the Shares held by Ronghui Ruiguang, Yangguang Yongsheng and Yangguang Xinxing.
- (4) China International Capital Corporation Limited wholly owns China International Capital Corporation (Hong Kong) Limited, which wholly owns CICC Financial Holdings Limited, which wholly owns CICC Financial Trading Limited. China International Capital Corporation Limited also wholly owns CICC Capital Management Co., Ltd and CICC Pucheng Investment Co., Ltd. Hence, by virtue of the SFO, China International Capital Corporation Limited, China International Capital Corporation (Hong Kong) Limited and CICC Financial Holdings Limited are deemed to be interested in 5,200 H Shares held by CICC Financial Trading Limited, and China International Capital Corporation Limited is also deemed to be interested in 8,668,600 H Shares held by CICC Capital Management Co., Ltd. and 308,300 H Shares held by CICC Pucheng Investment Co., Ltd.
- (5) Morgan Stanley wholly owns Morgan Stanley International Holdings Inc., which wholly owns Morgan Stanley International Limited, which wholly owns Morgan Stanley Investments (UK), which wholly owns Morgan Stanley & Co. International plc. Hence, by virtue of the SFO, Morgan Stanley, Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Investment (UK) are deemed to be interested in 7,196,365 H Shares of long position held by Morgan Stanley & Co. International plc.
- (6) Morgan Stanley wholly owns Morgan Stanley International Holdings Inc., which wholly owns Morgan Stanley Asia Holdings Limited, which wholly owns Morgan Stanley (Hong Kong) Holdings Limited, which wholly owns Morgan Stanley Hong Kong 1238 Limited, which wholly owns Morgan Stanley Asia Limited. Hence, by virtue of the SFO, Morgan Stanley, Morgan Stanley International Holdings Inc., Morgan Stanley Asia Holdings Limited, Morgan Stanley (Hong Kong) Holdings Limited, Morgan Stanley Hong Kong 1238 Limited are deemed to be interested in 74,200 H Shares of long position held by Morgan Stanley Asia Limited.
- (7) Morgan Stanley wholly owns Morgan Stanley Capital Management, LLC, which wholly owns Morgan Stanley Domestic Holdings, Inc., which wholly owns Morgan Stanley & Co. LLC and Morgan Stanley Investment Management Inc.. Hence, by virtue of the SFO, Morgan Stanley, Morgan Stanley Capital Management, LLC, Morgan Stanley Domestic Holdings Inc. are deemed to be interested in the 5,091,200 H Shares of long position and 25,000 H Shares of short position held by Morgan Stanley & Co. LLC, and 252,600 H Shares of long position held by Morgan Stanley Investment Management Inc..
- (8) UBS Group AG wholly owns UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Asset Management (Singapore) Ltd, and UBS Asset Management (Deutschland) GmbH. Hence, by virtue of the SFO, UBS Group AG is deemed to be interested in 8,065,100 H Shares held by UBS AG, 6,121,500 H Shares held by UBS Asset Management (Hong Kong) Ltd, 6,284,600 H Shares held by UBS Fund Management (Luxembourg) S.A., 785,300 H Shares held by UBS Asset Management (Singapore) Ltd and 360,500 H Shares held by UBS Asset Management (Deutschland) GmbH.
- (9) Huatai Securities Co., Ltd. wholly owns Huatai International Financial Holdings Company Limited, which wholly owns Huatai Financial Holdings (Hong Kong) Limited, which wholly owns Huatai Capital Investment Limited. Hence, by virtue of the SFO, Huatai Securities Co., Ltd. and Huatai International Financial Holdings Company Limited are deemed to be interested in 2,286,000 H Shares of long position held by Huatai Financial Holdings (Hong Kong) Limited. Also, Huatai Securities Co., Ltd., Huatai International Financial Holdings Company Limited and Huatai Financial Holdings (Hong Kong) Limited are deemed to be interested in 6,776,600 H Shares of long position and 6,677,200 H Shares of short position held by Huatai Capital Investment Limited.

REPORT OF THE DIRECTORS

- (10) Taikang Insurance Group, Inc. wholly owns Taikang Life Insurance Co., LTD. By virtue of the SFO, Taikang Insurance Group, Inc. is deemed to be interested in 13,003,000 H Shares held by Taikang Life Insurance Co., LTD.
- (11) Taikang Insurance Group, Inc. wholly owns Taikang Asset Management Company Limited, which wholly owns Taikang Asset Management (Hong Kong) Company Limited. Taikang Asset Management (Hong Kong) Company Limited holds 13,003,000 H Shares as investment manager. By virtue of the SFO, Taikang Insurance Group, Inc. and Taikang Asset Management Company Limited are deemed to be interested in 13,003,000 H Shares held by Taikang Asset Management (Hong Kong) Company Limited.
- (12) Ma Sean (馬自銘) wholly owns Snow Lake Capital (HK) Limited, who acts as investment manager of Snow Lake China Master Fund, Ltd.. Snow Lake China Master Fund, Ltd. is 90.44% owned by Snow Lake China Offshore Fund, Ltd.. By virtue of the SFO, Ma Shen (馬自銘), Snow Lake Capital (HK) Limited and Snow Lake China Offshore Fund, Ltd. are deemed to be interested in 8,668,600 H Shares held by Snow Lake China Master Fund, Ltd..
- (13) Huang Jiangzhen (黃江圳) and Zhong Zhen (仲貞) each owns 50% in Yatou Yinxin, which owns 99.96% interest in CICC Grandeur Fund. Hence, by virtue of the SFO, Huang Jiangzhen (黃江圳) and Zhong Zhen (仲貞), Yatou Yinxin are deemed to be interested in 8,668,600 H Shares held by CICC Grandeur Fund.
- (14) CICC Grandeur Fund holds 8,668,600 H Shares through China International Capital Corporation Limited as agent and discretionary investment manager of CICC Qirong No. 1 QDII Specific Asset Management Plan, a qualified domestic institutional investor manager. CICC Grandeur Fund is managed by CICC Capital Management Co., Ltd., which is a wholly-owned subsidiary of China International Capital Corporation Limited.

Save as disclosed above, the Directors are not aware of any person (other than the Director, Supervisor or chief executive of the Company) who have interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-EMPTIVE RIGHTS AND TAX RELIEF OR EXEMPTION

There is no provision on pre-emptive rights in the Articles of Association. The Company is not aware of any tax relief or exemption available to any existing Shareholder by reason of his/her holding of the securities of the Company.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

The Company did not enter into any new loan agreement, which contained any covenant relating to specific performance of the Controlling Shareholders and shall be disclosed as required by Rule 13.18 of the Listing Rules.

CORPORATE GOVERNANCE OF THE COMPANY

Save for the deviation from code provision A.2.1 of the CG Code as disclosed in the Corporate Governance Report, the Board is of the view that the Company has adopted, applied and complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Relevant Year under review. The principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 42 to 53 of this annual report.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2020 are set out in note 14 to the consolidated financial statements.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

The Group's business review and its future business development are set out in the Chairman's statement on pages 11 to 12 of this annual report. An analysis of the Group's business using financial key performance indicators, and description of the principal risks and uncertainties facing the Group are set out in the Management Discussion and Analysis on pages 13 to 30 of this annual report and note 3 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2020 are set out in note 36 to the consolidated financial statements.

A discussion on the Group's environmental policies and performance, its compliance with relevant laws and regulations that have a significant impact on the Group are set out in the sections headed "Environment Protection" and "Compliance with Laws and Regulations" below. The Group's relationship with employees, customers and suppliers is set out in the section headed "Relationship with Stakeholders" below.

ENVIRONMENTAL PROTECTION

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. The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2020 to be published in due course in accordance with the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2020, except as disclosed in the Prospectus, the Group had, in all material respects, complied with all the relevant and applicable PRC laws and regulations governing the business of property development and management and the Group had obtained all licenses, permits and certificates for the purpose of operating its business.

LITIGATION

During the year ended 31 December 2020, the Company was not involved in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Group considers its employees as important stakeholders and cooperative partners. The Group has established an efficient incentive scheme to link its employees' performance with the Group's corporate goal, which further align their interest with the Group.

REPORT OF THE DIRECTORS

To attract and retain the core management team members of the Group and to motivate them to contribute to the development of the business of the Group, the Group implemented the 2017 Employee Stock Ownership Plan in 2017 which involved 137 of the Group's core management team members. Since then, the Group has witnessed rapid growth in its contracted GFA, GFA under management, revenue and net profit. To incentivize more frontline employees, the Group launched the 2020 Employee Stock Ownership Plan, which covered 428 of the Group's employees, including both of the Group's management team members and frontline employees.

In addition to constantly improving incentive mechanism of the Group, the Group also continue to optimize its talent recruitment, training and cultivation as well as selection and promotion systems to ensure that the Group's management team is experienced, young and efficient. In order to attract more young talents to join the Group, the Group has implemented a recruitment plan for fresh graduates, namely the "Star Student (星悦生)" training program, which aims to recruit young talents who share similar value with the Group and pursue growth and potential, so as to keep the vitality of the core team of the Group.

Meanwhile, the Group have set up a training platform, the "Jinke Services Institute (金科生活服務學院)" which provides learning plans for employees at different stages. The platform encompasses four major training systems, namely new emerging force training, managerial staff training, professional staff training and young talents training. For example, the "Jialing (嘉陵)" project in the managerial staff training programs provides trainings that cultivate the global vision for the middle and senior management teams of the Group. Adhering to the concept of unity of knowing and doing, the Group organize study tours in the "Jialing (嘉陵)" project in some globally renowned enterprises and universities.

The Group's customer base primarily consists of property developers, property owners, residents, tenants and governmental authorities. The Group has established various procedures and systems to monitor and maintain the quality of its services in its managed projects. During the ordinary course of the Group's business operations, the Group receives feedbacks, suggestions and complaints from property owners and residents of the properties that the Group manages from time to time regarding its services. The Group has set up a national service hotline to manage customers' feedbacks and complaints. Customers may also send feedbacks or file for complaint through the Group's online platform "Jinke Grande Community APP" (金科大社區).

The Group's major suppliers primarily consists of sub-contractors of various services and vendors of various materials used for the services of the Group. During the year ended 31 December 2020, the Group selected sub-contractors through regular monitoring and evaluation of the performance of the sub-contractors.

CHARITABLE DONATIONS

The donations made by the Group during the year ended 31 December 2020 amounted to RMB192,000.

PERMITTED INDEMNITY PROVISIONS

According to the duty indemnity policy for the Directors, the Supervisors and the senior management of the Group, each Director, Supervisor and senior management of the Group is entitled to be indemnified by the Company against all losses or liabilities which he/she may sustain or incur in carrying out his/her functions. The Company has also arranged appropriate insurance in respect of potential legal actions against the Directors, the Supervisors and the senior management of the Group arising out of corporate activities.

REPORT OF THE DIRECTORS

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules provides that there must be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities. This normally means that at least 25% of the issuer's total issued shares must at all times be held by the public. The Company has applied to the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules. Therefore, the Company's public float shall be the higher of (i) 21.0% of its total issued share capital immediately following the completion of the global offering (assuming that the Over-allotment Option is not exercised); and (ii) such percentage of H Shares to be held by public immediately after completion of the global offering (as increased by the H Shares issued upon exercise of the Over-allotment Option), provided that the higher of (i) and (ii) above is below the minimum public requirement of 25% under Rule 8.08(1) of the Listing Rules (the "Public Float Waiver").

Based on the information that is publicly available to the Company and to the knowledge of the Directors, as at the date of this annual report, the Company has maintained a sufficient public float as required under the Public Float Waiver.

CHANGES IN DIRECTOR'S, SUPERVISOR'S AND CHIEF EXECUTIVE'S BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in the section headed "Biographies of Directors, Supervisors and Senior Management", there is no other change in information of the Directors, Supervisors or the chief executive of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Prospectus.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, the auditor of the Company. The Company has not changed its auditor since the listing date and up to the date of this report. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor will be proposed at the forthcoming 2020 AGM of the Company.

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

Chongqing, China, 24 March 2021

REPORT OF THE SUPERVISORY COMMITTEE

REPORT OF THE SUPERVISORY COMMITTEE FOR 2020

The Supervisory Committee of the Company is pleased to present the Report of the Supervisory Committee of the Group for the year ended 31 December 2020.

During 2020, the Supervisory Committee continued to improve the corporate governance structure, standardize the operation of the Company and improve internal control in accordance with the requirements of the Company Law, the Securities Law and relevant regulations of the China Securities Regulatory Commission, as well as the principles and code provisions of the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules and the Articles of Association of the Company for the interests of the Shareholders. Through convening the meeting of Supervisory Committee, participation in general meeting, Directors' Meeting and other ways, the Supervisory Committee, with the aim to be responsible to our shareholders, fulfilled all duties and obligations in a serious manner and reviewed the Company's financial accounts, and monitored its management and operation, implementation of resolutions of the shareholders' general meeting, directors' and management's compliance with laws, administrative regulations and the Articles of Association when performing their respective duties.

The Supervisory Committee is of the view that, during 2020, the Company operated strictly in accordance with the requirements of relevant laws and regulations, such as the Listing Rules, and the internal control management system, such as the Articles of Association, and the Directors, senior management of the Company performed their duties diligently and faithfully in accordance with laws, regulations and the Articles of Association, thereby effectively protecting the interests of the Company and the Shareholders.

I. MEMBERS OF THE SUPERVISORY COMMITTEE AND CHANGES IN THE MEMBERS DURING THE REPORTING PERIOD

The Supervisors of the Company for the year ended 31 December 2020 and up to the date of this report include Mr. Yu Yong (Chairman), Mr. Han Chong and Ms. Ren Wenjuan.

Mr. Yu Yong and Mr. Han Chong were elected as Supervisors at the Company's founding meeting, being the first extraordinary general meeting of 2020, at which Mr. Yu Yong was elected as the chairman of the Supervisory Committee at the 1st meeting of the first session of the Supervisory Committee. Mr. Yu Yong and Mr. Han Chong, together with Ms. Ren Wenjuan, the employee representative supervisor elected by the employee representative congress, constitute the first session of the Supervisory Board of the Company, and the term of office of the supervisors is three years and subject to re-election.

REPORT OF THE SUPERVISORY COMMITTEE

II. MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2020

Convening meetings of the Supervisory Committee according to laws, and earnestly performing supervisory duties

Name	Type of Supervisor	Number of meetings attended	Number of meetings convened	Attendance rate
Yu Yong (Chairman)	Shareholder Representative Supervisor	2	2	100%
Han Chong	Shareholder Representative Supervisor	2	2	100%
Ren Wenjuan	Employee Representative Supervisor	2	2	100%

During the reporting period, the members of the Supervisory Committee supervised the procedures and content of the meetings by attending shareholders' general meetings and meetings of the Board, such as the use of the Company's fund raising, the performance of connected transactions and peer competition business, the mechanism of the Company's risk management and internal control, and other significant matters. Besides, the Supervisory Committee effectively monitored the Company's decision-making procedures, operation of the Company according to laws, financial condition, and supervised the Directors and the management in the performance of their duties during the course of daily operations of the Company, which safeguarded the legitimate interests of the Company and the Shareholders.

III. EVALUATION ON OPERATING BEHAVIOURS OF THE BOARD AND THE SENIOR MANAGEMENT IN 2020

During 2020, the Board and the senior management of the Company performed their duties diligently, operated in compliance with laws, and made decisions in respect of matters relating to the Company upon understanding the Company's operation and having sufficient discussions, so as to facilitate the implementation of the resolutions passed by the Board.

During 2020, procedures for making major operating decisions of the Company were legal and valid. When the Company's directors and senior management performed their duties, they could earnestly abide by national laws, regulations, the Articles of Association and the resolutions of shareholders' general meetings and meetings of the Board, and were dedicated with pioneering spirit; no directors or senior management of the Company were found by the Supervisory Committee to have violated the laws, regulations or the Articles of Association or harmed the interests of the Shareholders of the Company and the interests of the Company when performing their duties.

REPORT OF THE SUPERVISORY COMMITTEE

IV. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE COMPANY'S OPERATION

(I) Lawful operation of the Company

The Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There has been gradual improvement in its internal control management, and the internal control system was reasonable and effective. The Company's operational decision-making processes were legitimate. The Directors and senior management were cautious, conscientious and diligent in the business operations and management processes, and they were not found to have breached any laws, regulations, or the Articles of Association or harmed the interests of the shareholders.

(II) Financial report of the Company

The Supervisory Committee of the Company conducted a careful and detailed inspection of the Company's financial condition, and reviewed the Group's audited financial report for the year ended December 31, 2020 and other financial information. It believed that the financial report has reflected the Company's operating results and financial condition in a comprehensive, truthful and objective manner. Financial accounts were unambiguous, accounting and financial management were in compliance with relevant regulations, and no problem was found, and the Company was not aware of any violation of the relevant accounting standards and legal requirements by the personnel who were involved in the preparation and review of the annual report; the unqualified opinion on financial report issued by the auditing institution was objective and fair.

The Supervisory Committee of the Company has also reviewed the profit distribution plan for 2020.

(III) Use of proceeds

The Company made its initial public offering and was listed on the Main Board of the Stock Exchange on 17 November 2020 and the net proceeds from the listing of the Company, after deduction of the underwriting commission and other estimated expenses payable in connection with the listing, amounted to approximately HK\$6,614.9 million (including the net proceeds from the full exercise of the Over-allotment Option in the amount of approximately HK\$876.8 million on 10 December 2020). As at December 31, 2020, the Company has not yet utilized such proceeds.

(IV) Connected transactions

During the reporting period, the connected transaction made by the Company had been fulfilled the corresponding decision-making and approval procedures, which are in compliance with the relevant laws, regulations, the Articles of Association and relevant regulatory documents, and the transaction prices were fair and reasonable.

REPORT OF THE SUPERVISORY COMMITTEE

(V) Opinions on the self-evaluation of the Company's internal control

The Company has basically established a relatively sound internal control system, formulated a relatively perfect and reasonable internal control system, the Company's internal control system is in compliance with the relevant national regulations and the requirements of the securities regulatory authorities, the internal controls are well implemented in all aspects of the Company's operation such as production and operation, and there are no major and significant deficiencies in the Company's internal control activities. The Supervisory Committee is of the view that the self-evaluation report on the Company's internal control for 2020 issued by the Board of Directors objectively reflected the actual situation of the Company's internal control and had no objection to the evaluation report.

V. MAJOR INITIATIVES OF THE SUPERVISORY COMMITTEE FOR 2021

In 2021, the Supervisory Committee will work diligently and faithfully under relevant requirements of the Listing Rules, the Corporate Governance Code and the Articles of Association, implement effective supervision on the Company, Directors and senior management of the Company, closely monitor the operation and management of the Company, pay attention to any significant development of the Company, ongoing monitoring of the Company's use of proceeds, performance of connected transactions and peer competing businesses, and significant matters such as risk management and internal controls to promote sustainable development of the Company, and faithfully safeguard the interests of the Shareholders and the Company as a whole. In addition, the Supervisory Committee will further integrate supervision resources, procure improvement in management, assist in and ensure successful realisation of the Company's work goals for 2021.

The Supervisory Committee of
Jinke Smart Services Group Co., Ltd
Yu Yong
Chairman

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Jinke Smart Services Group Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Jinke Smart Services Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 177, which comprise:

- the consolidated statement of financial position as of December 31, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is impairment assessment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of trade receivables</p> <p>Refer to Note 4(a) "Critical accounting estimates and judgments" and Note 20 "Trade and bill and other receivables and prepayments" to the consolidated financial statements.</p> <p>As of December 31, 2020, the gross amount of trade receivables of the Group amounted to approximately RMB1,067,419,000, which represented approximately 62% of the total assets (excluding cash and cash equivalents) of the Group. Management has assessed the expected credit losses ("ECL") of trade receivables and the Group has recognized loss allowance on these trade receivables of approximately RMB11,675,000 as of December 31, 2020.</p> <p>The Group applied the HKFRS 9 simplified approach to measure lifetime ECL allowance for trade receivables.</p> <p>Management estimated the ECL rates of trade receivables collectively by grouping the trade receivables based on shared credit risk characteristics and aging periods, and considering the market conditions, their knowledge about the customers group (including their reputation, financial capability and payment histories), and the current and forward-looking information on macroeconomic factors that might affect the ability of the customers to settle the related receivables.</p> <p>We identified the impairment assessment of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimation uncertainty in relation to the ECL assessment.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ol style="list-style-type: none">1) Obtained an understanding of management's impairment assessment process over ECL of trade receivables. We discussed with management to understand the ECL impairment model, key assumptions and estimates as they adopted for determining the ECL rates;2) Understood, evaluated and tested the key controls, on sample basis, in place over management's assessment on the ECL and ageing analysis review of trade receivables;3) Assessed the inherent risk of material misstatement of ECL of trade receivables by considering the degree of estimation uncertainty and level of other inherent risk factors;4) Evaluated the outcome of prior period assessment of provision for ECL of trade receivables to assess the effectiveness of management's estimation process by comparing the ECL as estimated in the prior year against the actual collection performance of the debtors in the current year.5) Evaluated management's estimation on the ECL by considering the reputation and financial capability of the customers against the publicly available information, and the cash collection performance against the historical payment records;6) Evaluated the appropriateness of the current and forward-looking macroeconomic factors as adopted by management in the ECL assessment by reference to our industry knowledge and relevant published macroeconomic data that might affect the ability of customers to settle the receivables in the future;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
	<p>7) Tested, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by management to the sales invoice, demand notes and other related supporting documents; and</p> <p>8) Checked the mathematical accuracy of the ECL calculation for the loss allowance on trade receivables.</p> <p>Based on the above, we considered that the significant judgements and estimates made by management in relation to the impairment assessment of trade receivables were supportable by the evidence obtained and procedures performed.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 24, 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Year ended December 31,	
		2020 RMB'000	2019 RMB'000
Revenue	6	3,358,944	2,327,657
Cost of sales	8	<u>(2,361,590)</u>	<u>(1,691,979)</u>
Gross profit		997,354	635,678
Selling and marketing expenses	8	(1,672)	(3,021)
Administrative expenses	8	(237,984)	(233,390)
Net impairment losses on financial assets	3.1.3	(8,222)	(4,018)
Other income	7	47,819	52,146
Other (losses)/gains-net	10	<u>(37,269)</u>	<u>1,788</u>
Operating profit		760,026	449,183
Finance income		85,362	160,731
Finance cost		<u>(76,988)</u>	<u>(159,962)</u>
Finance income-net	11	<u>8,374</u>	<u>769</u>
Share of net (losses)/profits of an associate and joint ventures accounted for using the equity method		(845)	160
Profit before income tax		767,555	450,112
Income tax expenses	12	<u>(134,360)</u>	<u>(75,728)</u>
Profit and total comprehensive income for the year		<u>633,195</u>	<u>374,384</u>
Profit and total comprehensive income attributable to:			
– Owners of the Company		617,594	366,452
– Non-controlling interests		<u>15,601</u>	<u>7,932</u>
		<u>633,195</u>	<u>374,384</u>
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	13	<u>1.24</u>	<u>0.80</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020

		As of December 31,	
	Note	2020 RMB' 000	2019 RMB' 000
Assets			
Non-current assets			
Property, plant and equipment	15	34,345	33,089
Intangible assets	16	9,988	5,017
Investments in an associate and joint ventures		4,850	160
Other receivables and prepayments	20	6,049	1,145,000
Deferred income tax assets	28	4,946	8,080
		<u>60,178</u>	<u>1,191,346</u>
Current assets			
Inventories	17	16,255	5,826
Other assets	18	60,602	74,240
Trade and bill and other receivables and prepayments	20	1,574,505	2,487,877
Restricted cash	22	364	1,455
Cash and cash equivalents	21	6,840,339	333,149
		<u>8,492,065</u>	<u>2,902,547</u>
Total assets		<u>8,552,243</u>	<u>4,093,893</u>
Equity			
Equity attributable to owners of the Company			
Share capital/Paid-in capital	23	652,848	50,000
Other reserves	24	5,993,270	25,000
Retained earnings	24	568,034	407,700
		<u>7,214,152</u>	<u>482,700</u>
Non-controlling interests		<u>38,311</u>	<u>22,295</u>
Total equity		<u>7,252,463</u>	<u>504,995</u>
Liabilities			
Non-current liabilities			
Borrowings	26	-	1,145,000
Lease liabilities	27	3,685	2,526
Deferred income tax liabilities	28	676	942
		<u>4,361</u>	<u>1,148,468</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020

		As of December 31,	
	Note	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and bill and other payables	25	834,419	1,398,409
Borrowings	26	–	685,000
Lease liabilities	27	1,748	1,331
Contract liabilities	6(a)	386,775	291,202
Current income tax liabilities		72,477	64,488
		<u>1,295,419</u>	<u>2,440,430</u>
Total liabilities		<u>1,299,780</u>	<u>3,588,898</u>
Total equity and liabilities		<u>8,552,243</u>	<u>4,093,893</u>

The financial statements on pages 82 to 177 were approved by the Board of Directors on March 24, 2021 and were signed on its behalf.

Mr. Xia Shaofei
Chairman & Executive Director

Mr. Xu Guofu
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Attributable to owners of the Company										
	Note	Paid-in	Other	Retained	Total	Non-	Total				
		capital/						reserves	earnings	interests	equity
		Share									
Capital	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000					
		(Note 23)	(Note 24)								
Balance at January 1, 2019		50,000	77,550	187,900	315,450	10,477	325,927				
Comprehensive income											
Profit for the year		–	–	366,452	366,452	7,932	374,384				
Transactions with owners of the Company											
Deemed distributions to the shareholders of the Company	24	–	(52,550)	–	(52,550)	–	(52,550)				
Capital contribution from non-controlling interests		–	–	–	–	3,886	3,886				
Dividend declared to shareholders of the Company		–	–	(146,652)	(146,652)	–	(146,652)				
Balance at December 31, 2019		<u>50,000</u>	<u>25,000</u>	<u>407,700</u>	<u>482,700</u>	<u>22,295</u>	<u>504,995</u>				
Balance at January 1, 2020		50,000	25,000	407,700	482,700	22,295	504,995				
Comprehensive income											
Profit for the year		–	–	617,594	617,594	15,601	633,195				
Transactions with owners of the Company											
Transfer from reserves to share capital	23(a)	405,473	(5,195)	(400,278)	–	–	–				
Capital contribution from owners	23(b)	44,527	433,525	–	478,052	–	478,052				
Issue of shares in connection with the Listing	23(c)	152,848	5,496,007	–	5,648,855	–	5,648,855				
Capital contribution from non-controlling interests		–	–	–	–	3,807	3,807				
Disposal of subsidiaries		–	–	–	–	(100)	(100)				
Acquisition of additional interests in subsidiaries	33(a)	–	(12,222)	–	(12,222)	(3,237)	(15,459)				
Change in ownership interests in subsidiaries without change of control	33(b)	–	(827)	–	(827)	3,143	2,316				
Dividend declared to non-controlling interests		–	–	–	–	(3,198)	(3,198)				
Appropriation of statutory reserves		–	56,982	(56,982)	–	–	–				
Balance at December 31, 2020		<u>652,848</u>	<u>5,993,270</u>	<u>568,034</u>	<u>7,214,152</u>	<u>38,311</u>	<u>7,252,463</u>				

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Year ended December 31,	
		2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	30	226,684	269,761
interest received		10,262	1,175
Income tax paid		(123,514)	(34,135)
Net cash generated from operating activities		113,432	236,801
Cash flows from investing activities			
Purchases of property, plant and equipment		(10,395)	(8,956)
Purchase of intangible assets		(7,402)	(2,750)
Proceeds from disposal of property, plant and equipment		176	138
Proceeds from disposal of other assets		14,542	13,717
Advances to related parties	31(b)	(398,000)	(1,003,440)
Repayments from related parties	31(b)	2,585,208	1,491,483
Capital injection to the associate and joint ventures		(5,535)	–
Prepayment for acquisition of equity interests		(6,049)	–
Disposal of subsidiaries (net of cash and cash equivalents disposed)		58,436	–
Net cash generated from investing activities		2,230,981	490,192
Cash flows from financing activities			
Capital contribution from owners	23(b)	478,052	–
Proceeds from issue of ordinary shares	23(c)	5,791,393	–
Repayments of borrowings	30(b)	(1,830,000)	(500,000)
Interest paid	30(b)	(88,862)	(165,220)
Dividends paid to shareholders	30(b)	(2,828)	(146,652)
Principal elements and interest elements of lease payments	30(b)	(1,889)	(2,161)
Listing expenses paid		(131,134)	–
Transaction with non-controlling interests		(15,459)	–
Capital contribution from non-controlling interests		3,807	3,886
Net cash generated from/(used in) financing activities		4,203,080	(810,147)
Net increase/(decrease) in cash and cash equivalents		6,547,493	(83,154)
Cash and cash equivalents at beginning of year		333,149	416,303
Exchange losses on cash and cash equivalents		(40,303)	–
Cash and cash equivalents at end of year		6,840,339	333,149

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The Company and its subsidiaries (the “Group”) 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.

The outbreak of the 2019 Novel Coronavirus (the “COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the property management industry. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial information is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

This consolidated financial statements is presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the “Board”) on March 24, 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied for the preparation of the consolidated financial statements are set out as below. These policies have been consistently applied to both years presented.

2.1 Basis of preparation

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

2.1.1 Changes in accounting policy and disclosures

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures.

Interests in joint ventures are accounted for using the equity method (see Note 2.2(c) below), after initially being recognized at cost in the consolidated statement of financial position.

(c) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting *(Continued)*

(c) Equity method (Continued)

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(d) Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Group.

2.3 Business combinations

(a) Business combinations under common control

The consolidated financial statements incorporates the financial statement items of the entities of businesses in which the common control combination occurs as if they had been consolidated from the date when the entities of businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities or business are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

(b) Business combinations not under common control

The acquisition method of accounting is used to account for all business combinations not under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

(b) Business combinations not under common control (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within "Other (losses)/gains-net" in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, and certain leased plants and equipment, the shorter lease term, as follows:

– Equipment and machinery	5-10 years
– Vehicles	5 years
– Furniture	5 years
– Leasehold improvements	2-10 years
– Right-of-use assets	1-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other (losses)/gains-net" in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets

Intangible assets represent computer software and are initially recognized and measured at costs incurred to acquire and bring them to use. Intangible assets are amortized over their estimated useful lives (generally 5 or 10 years, based on management's expectation on the technological lives of the systems), using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

Research and development costs that are directly attributable to the design and testing of identifiable and unique software products, for example, applications, controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the research and development and to use the software product are available; and
- The expenditure attributable to the software product during its research and development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Investments and other financial assets *(Continued)*

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in “Other (losses)/gains-net” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Investments and other financial assets *(Continued)*

(c) Measurement (Continued)

Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other (losses)/gains-net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other (losses)/gains-net" and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "Other (losses)/gains-net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "Other (losses)/gains-net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

ECL are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties and related parties are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2.13 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Other assets

Other assets represent parking lots and are initially recognized and measured at costs incurred to acquire. Other assets are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price of disposals, less the estimated costs of completion and the estimated costs necessary to make the disposals.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other (losses)/gains-net" in the consolidated statement of comprehensive income.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.16 Cash and cash equivalents, restricted cash

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted to use are included in "restricted cash" in the consolidated statement of financial position.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits

(a) Pension obligations

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

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(d) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statements of financial position.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.23 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition

Revenues are recognized when or as the control of the goods or services is transferred to the customer. Depending the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

The Group provides property management services, value-added services to non-property owners, community value-added services and smart living technology solutions.

(a) Property management services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to bill and that corresponds directly with the value of performance completed. Revenue from providing property management services is recognized in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is responsible for providing the property management services to the property owners, the Group is entitled to revenue at the value of property management services fee received or receivable and recognizes all related property management costs as its cost of service.

For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group recognizes the commission, which is calculated by a pre-determined percentage of the property management fee receivable by the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

(b) Value-added services to non-property owners

Value-added services to non-property owners primarily consist of: (i) sales assistance services, primarily include visitors reception, on-site cleaning, security, repair and maintenance services to assist property developers in showcasing and marketing their properties at the pre-sale stage of property sales, (ii) pre-delivery services, including cleaning, inspection, repair and maintenance services to non-property owners at the pre-delivery stage and to a lesser extent, repair and maintenances services after delivery where such services are required by property developers based on inspection of relevant properties, and (iii) consultancy and other services including consultancy services for property developers and property management companies on project planning and management as well as other value-added services such as printing and documentation services, and (iv) sales of customized goods.

The Group agrees the price for each service with the customers upfront and issues the monthly or quarterly bill to the customers which varies based on the actual level of service completed in that month. Revenue is recognized when the value-added services are rendered.

For sales of customized goods, the Group procures products from suppliers and sells to the non-property owners after customized processing. Sales of goods are recognized when the Group delivers the goods to the customers.

(c) Community value-added services

Community value-added services primarily consist of: (i) home-living services, which primarily include sales of goods, and home cleaning services, (ii) community management services, which primarily include common area maintenance services, such as waste disposal services, as well as public resources management services, such as public spaces leasing, delivery services and advertising services, (iii) home decoration services, which refers to home decoration services and move-in furnishing services, and (iv) comprehensive living and traveling services, which primarily include property agency services and travel agency services.

Revenue is recognized when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

(c) Community value-added services (Continued)

For sales of goods, the Group procures merchandise from suppliers and sells goods to the property owners and corporate customers. Sales of goods are recognized when the Group delivers the goods to the customers.

The Group acts as a sales agent for property owners and provides residential property agency services, which charge such property owners a commission calculated based on the contract purchase price.

(d) Smart living technology solutions

Smart living technology solutions primarily include (i) smart design services, which refers to providing smart function solutions in relation to project construction for property developers and selling technology products to property owners, (ii) smart on-site service, which refers to providing technology services for property developers during the pre-sale or property sales stages, (iii) smart integrated operation platform services, including the development, customization, installation and maintenance of IBMS (intelligent building management system) operation platforms.

Revenue is recognized when the smart living technology solutions are rendered to the customer.

If contracts involve the sale of multiple services, the transaction price allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the statements of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in profit or loss and presented in the consolidated statement of comprehensive income as “other income”.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes or the interest income is earned from loans to related parties which are in connection with the asset-backed securities (“ABS”) and asset-backed notes (“ABN”) arrangements.

2.26 Leases

The Group leases certain properties. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Leases *(Continued)*

The lease payments are discounted using the interest rate implicit in the lease, if that can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associate with short-term leases terms of 12 months or less and leases of low-value assets are recognized on a straight-line basis over the lease term as an expense in profit or loss.

2.27 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.28 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Earnings per share *(Continued)*

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.29 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group complies with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's activities expose it to a variety of financial risks: foreign exchange risk, market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Foreign exchange risk

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 dollar ("HK\$"). As of December 31, 2020, non-RMB assets are cash and cash equivalents of RMB5,638,409,000 denominated in HK\$. Fluctuation of the exchange rates of RMB against foreign currency could affect the Group's results of operations. The Group currently does not have a foreign currency hedging policy, and manage its foreign currency risk by closely monitoring the movement of foreign currency rate.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	As of December 31,	
	2020	2019
	HKD	HKD
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalent	<u>5,638,409</u>	<u>–</u>

The aggregate net foreign exchange losses recognized in profit or loss were:

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange losses included in other (losses)/gains	<u>(40,303)</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Foreign exchange risk *(Continued)*

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% appreciation/depreciation in RMB against the relevant currencies, the effect on the profit for the year is as follows:

	As of December 31,	
	2020	2019
	RMB' 000	RMB' 000
5% increase in RMB against HKD	(231,175)	–
5% decrease in RMB against HKD	<u>231,175</u>	<u>–</u>

3.1.2 Market risk

(a) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from loans to the Jinke Property and its subsidiaries (the "Jinke Property Group") and primarily borrowings.

As of December 31, 2020, there is no loans to the Jinke Property Group and borrowings.

As of December 31, 2019, loans to the Jinke Property Group and borrowings of the Group were all bearing interests at fixed interest rates (Notes 31(d) and 26) and hence exposing the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Credit risk

The Group is exposed to credit risk in relation to its trade and bill and other receivables and cash deposits at banks. The carrying amounts of trade and bill and other receivables, cash and cash equivalents and restricted cash represent the Group's maximum exposure to credit risk in relation to financial assets.

(a) Cash deposits at banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(b) Trade and bill receivables

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

To measure the ECL, trade receivables other than those due from the Jinke Property Group have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward-looking information.

The Group assessed that the ECL rate for trade receivables from the Jinke Property Group were low since the Jinke Property Group have a strong capacity to meet its contractual cash flow obligation in the near term. The Group assessed that the ECL rate for trade receivables from the Jinke Property Group are immaterial and considered them to have a low credit risk, and thus the loss allowance is immaterial.

The Group assessed that the ECL rate for bill receivables from banks were low since the banks are state-owned or other medium or large-size listed banks and have a strong capacity to meet its contractual cash flow obligation in the near term. The Group assessed that the ECL rate for bill receivables from the banks are immaterial and considered them to have a low credit risk, and thus the loss allowance is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Credit risk *(Continued)*

(c) Other receivables

Other receivables have been assessed for impairment on a collective basis based on different credit risk characteristics. Other receivables (excluding prepayments to suppliers and prepaid tax) are categorised as follows for assessment purpose:

Group 1	Other receivables due from the Jinke Property Group
Group 2	Other receivables due from associates and joint ventures of the Company and Jinke Property
Group 3	Performance guarantee deposits paid
Group 4	Other receivables other than those mentioned above

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Credit risk *(Continued)*

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 365 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 730 days past due	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking information on macroeconomic factors.

The ECL rate for the provision matrix is for trade receivables which are mainly related to our property management services business and other receivables excluding certain natures of receivables and prepayments. As there is no significant change in the business operation of property management services, actual loss rates for trade receivables and other receivables, customer profile and the adjustments for forward looking macroeconomic data during the years ended December 31, 2020 and 2019, the change in the expected credit loss rates for the provision matrix is insignificant throughout the years ended December 31, 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

As of December 31, 2020 and 2019, the loss allowance provision for the trade receivables other than those due from the Jinke Property Group was determined as follows. The ECL below also incorporated forward looking information.

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
At December 31, 2020						
Expected loss rate	1%	5%	20%	50%	100%	
Gross carrying amount (RMB' 000)	769,364	40,994	3,989	2,210	29	816,586
Loss allowance provision (RMB' 000)	<u>7,694</u>	<u>2,049</u>	<u>798</u>	<u>1,105</u>	<u>29</u>	<u>11,675</u>
At December 31, 2019						
Expected loss rate	1%	5%	20%	50%	100%	
Gross carrying amount (RMB' 000)	418,067	9,740	2,673	186	20	430,686
Loss allowance provision (RMB' 000)	<u>4,181</u>	<u>487</u>	<u>535</u>	<u>93</u>	<u>20</u>	<u>5,316</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

As of December 31, 2020 and 2019, the gross carrying amount and loss allowance of other receivables in categories are as follows:

	As of December 31,			
	2020		2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group 1	8,312	–	2,854,258	–
Group 2	697	1	33,340	33
Group 3	376,756	187	17,204	9
Group 4	51,080	1,592	63,122	1,990
Total	<u>436,845</u>	<u>1,780</u>	<u>2,967,924</u>	<u>2,032</u>

The Group expects that the credit risk associated with other receivables due from the Jinke Property Group is considered to be low, since these entities have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the ECL rate for the amounts due from these entities are immaterial under 12 months ECL method and considered them to have low credit risk and thus the loss allowance is immaterial. The Group has assessed that the ECL of Group 1 are not significant.

The Group expects that a certain credit risk exists on performance guarantee and other receivables due from associates and joint ventures of the Company and Jinke Property. The Group has assessed that the ECL rate for Group 2 and Group 3 is 0.1% and 0.05% respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

The Group has assessed that Group 4 is on stage 1 and use 12 months ECL method. As of December 31, 2020 and 2019, the loss allowance of Group 4 was determined as follows for other receivables:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
At December 31, 2020							
Expected loss rate	1%	5%	20%	49%	64%	100%	
Gross carrying amount (RMB' 000)	47,480	2,314	355	2	-	929	51,080
Loss allowance provision (RMB' 000)	<u>475</u>	<u>116</u>	<u>71</u>	<u>1</u>	<u>-</u>	<u>929</u>	<u>1,592</u>
At December 31, 2019							
Expected loss rate	1%	5%	20%	49%	64%	100%	
Gross carrying amount (RMB' 000)	55,654	5,523	516	500	333	596	63,122
Loss allowance provision (RMB' 000)	<u>557</u>	<u>276</u>	<u>103</u>	<u>245</u>	<u>213</u>	<u>596</u>	<u>1,990</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Credit risk *(Continued)*

The loss allowance provision for trade and bill and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade and bill receivables <i>RMB'000</i>	Other receivables <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2019	2,799	1,251	4,050
Provision for loss allowance recognized in profit or loss	3,231	787	4,018
Receivables written off during the year as uncollectible	<u>(714)</u>	<u>(6)</u>	<u>(720)</u>
At December 31, 2019	<u>5,316</u>	<u>2,032</u>	<u>7,348</u>
At January 1, 2020	5,316	2,032	7,348
Provision/(reversal) for loss allowance recognized in profit or loss	8,353	(131)	8,222
Receivables written off during the period as uncollectible	<u>(1,994)</u>	<u>(121)</u>	<u>(2,115)</u>
At December 31, 2020	<u>11,675</u>	<u>1,780</u>	<u>13,455</u>

As of December 31, 2020 and 2019, the gross carrying amount of trade and bill and other receivables was RMB1,505,348,000 and RMB3,523,948,000 respectively, which represented the maximum exposure to credit loss as of the respective balance sheet dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.4 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As of December 31, 2020					
Financial liabilities					
Borrowings	-	-	-	-	-
Trade and bill and other payables (excluding accrued payroll and other taxes payables)	714,399	-	-	-	714,399
Lease liabilities (including interest payments)	2,011	1,682	2,090	276	6,059
	<u>716,410</u>	<u>1,682</u>	<u>2,090</u>	<u>276</u>	<u>720,458</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.4 Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of December 31, 2019					
Financial liabilities					
Borrowings	798,896	345,926	968,222	–	2,113,044
Trade and bill and other payables (excluding accrued payroll and other taxes payables)	1,253,312	–	–	–	1,253,312
Lease liabilities (including interest payments)	<u>1,513</u>	<u>1,235</u>	<u>1,479</u>	<u>–</u>	<u>4,227</u>
	<u><u>2,053,721</u></u>	<u><u>347,161</u></u>	<u><u>969,701</u></u>	<u><u>–</u></u>	<u><u>3,370,583</u></u>

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

As of December 31, 2020 and 2019, asset-liability ratio of the Group is as follows:

	As of December 31,	
	2020	2019
Asset-liability ratio	<u><u>15%</u></u>	<u><u>88%</u></u>

The change of the asset-liability ratio as of December 31, 2020 is mainly due to the the issue of shares in connection with the Listing (Note 23).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and bill and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.3 above.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilisation may be different.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

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

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

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

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

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

6 REVENUE

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE (Continued)

	Year ended December 31,	
	2020	2019
	<i>RMB' 000</i>	<i>RMB' 000</i>
Method of revenue recognition		
Gross basis	3,296,588	2,289,181
Net basis	<u>62,356</u>	<u>38,476</u>
	<u>3,358,944</u>	<u>2,327,657</u>

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

(a) Contract liabilities

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

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

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

	As of December 31,	
	2020	2019
	<i>RMB' 000</i>	<i>RMB' 000</i>
Property management services	360,197	273,481
Community value-added services	<u>3,396</u>	<u>6,607</u>
	<u>363,593</u>	<u>280,088</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE (Continued)

(a) Contract liabilities (Continued)

(i) Significant changes in contract liabilities

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

(ii) Revenue recognized in relation to contract liabilities

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

The Group

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

The Company

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
Property management services	273,481	205,255
Community value-added services	6,607	6,535
	<u>280,088</u>	<u>211,790</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE (Continued)

(a) Contract liabilities (Continued)

(iii) Unsatisfied performance obligations

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

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

7 OTHER INCOME

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

	Year ended December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Employee benefit expenses (Note 9)	1,095,121	1,116,144
Greening and cleaning expenses	417,483	305,842
Cost of goods sold	375,277	72,436
Security charges	255,225	78,377
Maintenance costs	131,391	116,828
Utilities	85,290	43,895
Office expenses	33,922	28,657
Raw materials	37,462	18,388
Travelling and entertainment expenses	21,988	18,079
Depreciation and amortization charges	14,431	11,712
Taxes and other levies	14,254	11,505
Community activities expenses	14,052	14,525
Consultancy fee	10,560	6,811
Bank charges	10,024	6,786
Research expenses	9,203	3,183
Operating lease payments (Note 27)	7,976	7,012
Advertising expenses	3,664	3,692
Audit services		
– Audit services	1,975	393
– Non-audit services	–	–
Recruiting costs	968	1,117
Others	60,980	63,008
	<u>2,601,246</u>	<u>1,928,390</u>
Total cost of sales, selling and marketing expenses and administrative expenses	<u>2,601,246</u>	<u>1,928,390</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Wages, salaries and bonuses	949,453	930,958
Social insurance expenses (Note (a))	67,258	112,557
Housing benefits	28,468	25,346
Other employee benefits (Note (b))	49,942	47,283
	<u>1,095,121</u>	<u>1,116,144</u>

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, affected by COVID-19 social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to December 2020 have been reduced or exempted accordingly.

- (b) Other employee benefits mainly include meal, housing allowances and holiday benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Five highest paid individuals

The five highest paid individuals of the Group during the years ended 31 December 2020 and 2019 are analysed as follows:

	Number of individuals	
	Year ended December 31,	
	2020	2019
Directors and supervisors	4	3
Non-directors and supervisors, the highest paid individuals	1	2
	<u>5</u>	<u>5</u>

Details of the emoluments of the above directors and supervisors are reflected in the analysis shown in Note 35. Details of the emoluments of the above non-directors and supervisors, the highest paid individual for the years ended 31 December 2020 and 2019 are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Wages and salaries	988	986
Bonuses	1,204	1,832
Contribution to pension scheme	51	63
Housing allowances	40	48
Other social insurances	38	47
	<u>2,321</u>	<u>2,976</u>

The emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2020	2019
Emolument bands (in HK dollar)		
Nil-HK\$1,000,000	–	–
HK\$1,000,001-HK\$1,500,000	2	–
HK\$1,500,001-HK\$2,000,000	–	2
	<u>2</u>	<u>2</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 OTHER (LOSSES)/GAINS-NET

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Net foreign exchange losses	(40,303)	–
Losses on disposal of subsidiaries	(2,457)	–
Losses on disposal of property, plant and equipment	(157)	(167)
Gains on disposal of other assets	904	1,894
Written-off of payables	2,701	–
Others	2,043	61
	<u>(37,269)</u>	<u>1,788</u>

11 FINANCE INCOME-NET

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Finance income		
Interest income from bank deposits	10,262	1,175
Interest income from loans to related parties (Note (a))	75,100	159,556
	<u>85,362</u>	<u>160,731</u>
Finance cost		
Interest expense on borrowings (Note 26)	(76,727)	(159,701)
Interest expense of lease liabilities (Note 27)	(261)	(261)
	<u>(76,988)</u>	<u>(159,962)</u>
Finance income-net	<u>8,374</u>	<u>769</u>

- (a) This interest income is arisen from the loans as advanced back to the subsidiaries of Jinke Property subsequent to the receipt of the proceeds of the Borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSES

	Year ended December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax		
– PRC corporate income tax	131,503	76,221
Deferred income tax (Note 28)		
– PRC corporate income tax	2,857	(493)
	<u>134,360</u>	<u>75,728</u>

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

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

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

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

The general corporate income tax rate in PRC is 25%. The Company and most of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have issued and allocated on January 1, 2019 as if the Company has been converted from a limited liability company into a joint stock company by then. Details are set out in Note 23.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES

The following is a list of the principal subsidiaries at December 31, 2020 and 2019:

Company name	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Note
			2020	2019	2020	2019		
Directly owned:								
Chongqing Kangcheng Air Ticket Agent Co., Ltd.* 重慶康程航空票務代理有限公司	The PRC, January 21, 2013, limited liability company	RMB500,000/ RMB500,000	100%	100%	-	-	Tickets agency in Chongqing	
Chongqing Jinke Junyou Property Management Co., Ltd.* 重慶金科俊友物業管理有限公司	The PRC, June 3, 2013, limited liability company	RMB500,000/ RMB500,000	100%	100%	-	-	Property management services in Chongqing	
Chongqing Jinling Intelligent Device Co., Ltd.* 重慶金令智慧設備有限公司	The PRC, June 14, 2013, limited liability company	RMB3,000,000/ RMB3,000,000	100%	100%	-	-	Technology services in Chongqing	
Chongqing Ruibo Asset Management Consulting Co., Ltd.* 重慶睿博資產管理諮詢有限公司	The PRC, June 14, 2013, limited liability company	RMB10,000,000/ RMB500,000	N/A	100%	N/A	-	Asset management services in Chongqing	(vi)
Chongqing Kangcheng International Travel Agency Service Co., Ltd.* ("Kangcheng International") 重慶康程國際旅行社有限公司	The PRC, August 22, 2014, limited liability company	RMB5,000,000/ RMB5,000,000	63%	100%	37%	-	Travel services in Chongqing	(viii)
Yancheng Jinke Yongheng Property Service Co., Ltd.* 鹽城金科詠恒物業服務有限公司	The PRC, May 9, 2018, limited liability company	RMB10,000,000/ RMB2,000,000	51%	51%	49%	49%	Property management services in Yancheng	
Chongqing Shunsheng Chengxun Property Management Co., Ltd.* 重慶市順盛誠勳物業管理有限公司	The PRC, October 27, 2011, limited liability company	RMB500,000/ RMB500,000	100%	100%	-	-	Property management services in Chongqing	
Dehong Huajiang Property Co., Ltd.* 德宏華江物業有限公司	The PRC, April 10, 2014, limited liability company	RMB500,000/ RMB500,000	51%	51%	49%	49%	Property management services in Mangshi	
Wuxi Jinke Huijin Property Management Co., Ltd.* ("Wuxi Huijin") 無錫市金科匯錦物業管理有限公司	The PRC, November 24, 2004, limited liability company	RMB3,000,000/ RMB3,000,000	100%	51%	-	49%	Property management services in Wuxi	(xi)
Chongqing Jinke Life Services Co., Ltd.* 重慶金科生活服務有限公司	The PRC, May 8, 2017, limited liability company	RMB100,000,000/ RMB2,000,000	100%	100%	-	-	Property management services in Chongqing	
Chongqing Jinbosì Education Technology Co., Ltd.* 重慶金博思教育科技有限公司	The PRC, September 25, 2017, limited liability company	RMB20,000,000/ RMB6,000,000	60%	60%	40%	40%	Education services in Chongqing	
Chongqing Jinke New Business Management Co., Ltd.* 重慶金科新商業管理有限公司	The PRC, December 29, 2017, limited liability company	RMB5,000,000/ RMB5,000,000	100%	100%	-	-	Property management services in Chongqing	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at December 31, 2020 and 2019 (Continued):

Company name	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Note
			2020	2019	2020	2019		
Hubei Jinke Aobang Property Management co., Ltd.* 湖北金科奧邦物業管理有限責任公司	The PRC, April 13, 2018, limited liability company	RMB1,000,000/ Nil	51%	51%	49%	49%	Property management services in Yicheng	
Zhengzhou Shengxiyuan Property Service Co., Ltd.* 鄭州盛西源物業服務有限公司	The PRC, June 7, 2018, limited liability company	RMB1,000,000/ Nil	51%	51%	49%	49%	Property management services in Zhengzhou	
Baoji Jinke Bohua Property Service Co., Ltd.* 寶雞金科博華物業服務有限公司	The PRC, June 26, 2018, limited liability company	RMB1,000,000/ RMB1,000,000	51%	51%	49%	49%	Property management services in Baoji	
Guizhou Jinke Yunxiang Property Service Co., Ltd.* 貴州金科雲翔物業服務有限公司	The PRC, April 11, 2017, limited liability company	RMB500,000/ Nil	51%	51%	49%	49%	Property management services in Bijie	
Liuzhou Jinke Yuandao Property Service Co., Ltd.* 柳州市金科遠道物業服務有限公司	The PRC, August 29, 2018, limited liability company	RMB2,400,000/ RMB800,000	70%	70%	30%	30%	Property management services in Liuzhou	
Chongqing Jinke Tongyun Property Service Co., Ltd.* 重慶金科同雲物業服務有限公司	The PRC, July 27, 2018, limited liability company	RMB500,000/ Nil	51%	51%	49%	49%	Property management services in Chongqing	
Shandong Jinke Denuo Property Service Co., Ltd.* 山東金科德諾物業服務有限公司	The PRC, September 21, 2018, limited liability company	RMB5,000,000/ Nil	60%	60%	40%	40%	Property management services in Dezhou	
Tongren Jinke Meilin Property Service Co., Ltd.* 銅仁市金科美鄰物業服務有限公司	The PRC, October 10, 2018, limited liability company	RMB2,000,000/ RMB500,000	51%	51%	49%	49%	Property management services in Tongren	
Sichuan Jinke Dingheng Property Service Co., Ltd.* ("Jinke Dingheng") 四川金科鼎恒物業服務有限公司	The PRC, October 18, 2018, limited liability company	RMB500,000/ Nil	100%	51%	-	49%	Property management services in Guang'an	(x)
Guizhou Jinke Feiyun Property Service Co., Ltd.* 貴州金科飛雲物業服務有限公司	The PRC, September 18, 2018, limited liability company	RMB500,000/ Nil	51%	51%	49%	49%	Property management services in Tongren	
Guizhou Jinke Sishun Property Management Co., Ltd.* 貴州金科四順物業管理有限公司	The PRC, November 2, 2018, limited liability company	RMB1,000,000/ Nil	51%	51%	49%	49%	Property management services in Xingyi	
Guizhou Jinke Huanyu Property Service Co., Ltd.* 貴州金科寰宇物業服務有限公司	The PRC, September 19, 2018, limited liability company	RMB1,000,000/ RMB50,000	51%	51%	49%	49%	Property management services in Zunyi	
Sichuan Jinke Zhanchuang Property Service Co., Ltd.* 四川金科展創物業服務有限公司	The PRC, November 20, 2018, limited liability company	RMB1,000,000/ RMB1,000,000	60%	60%	40%	40%	Property management services in Chengdu	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at December 31, 2020 and 2019 (Continued):

Company name	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Note
			2020	2019	2020	2019		
Chongqing Jinxiao Xinyue Restaurant Management Co., Ltd.* 重慶金曉心悅餐飲管理有限公司	The PRC, March 14, 2019, limited liability company	RMB5,000,000/ RMB5,000,000	100%	100%	–	–	Catering service in Chongqing	
Dehong Jinke Julong Property Service Co., Ltd.* 德宏金科巨隆物業服務有限公司	The PRC, December 13, 2018, limited liability company	RMB500,000/ RMB500,000	51%	51%	49%	49%	Property management services in Mangshi	
Zhengzhou Puyuan Jinyu Property Service Co., Ltd.* ("Puyuan Jinyu") 鄭州市圃苑金豫物業服務有限公司	The PRC, May 10, 2019, limited liability company	RMB1,000,000/ Nil	100%	60%	–	40%	Property management services in Zhengzhou	(iii)
Jinsong Commercial Factoring Co., Ltd.* 金松商業保理有限公司	The PRC, April 4, 2019, limited liability company	RMB100,000,000/ RMB50,000,000	N/A	100%	N/A	–	Factoring services in Jinan	(ix)
Kunming Jinke Runjing Property Service Co., Ltd.* 昆明金科潤景物業服務有限公司	The PRC, May 20, 2019, limited liability company	RMB500,000/ RMB30,000	51%	51%	49%	49%	Property management services in Kunming	
Yunnan Jinke Yintai Property Service Co., Ltd.* 雲南金科銀泰物業服務有限公司	The PRC, June 6, 2019, limited liability company	RMB1,000,000/ RMB265,000	51%	51%	49%	49%	Property management services in Kunming	
Weihai Jinhan Property Service Co., Ltd.* 威海金瀚物業服務有限公司	The PRC, May 17, 2019, limited liability company	RMB2,000,000/ RMB1,000,000	51%	51%	49%	49%	Property management services in Weihai	
Shanxi Jinke Hanjia Property Service Co., Ltd.* 陝西金科漢家物業服務有限公司	The PRC, May 24, 2019, limited liability company	RMB3,000,000/ Nil	51%	51%	49%	49%	Property management services in Hanzhong	
Sichuan Jinke Rongcheng Property Service Co., Ltd.* 四川省金科融城物業服務有限公司	The PRC, March 30, 2019, limited liability company	RMB1,000,000/ RMB600,000	51%	51%	49%	49%	Property management services in Chengdu	
Dafang Jinke Giant Property Service Co., Ltd.* 大方金科巨人物業服務有限公司	The PRC, January 28, 2019, limited liability company	RMB1,000,000/ Nil	51%	51%	49%	49%	Property management services in Bijie	
Zunyi Jinke Fujia Property Service Co., Ltd.* 遵義金科福家物業服務有限公司	The PRC, April 23, 2019, limited liability company	RMB500,000/ Nil	51%	51%	49%	49%	Property management services in Zunyi	
Guizhou Jinke Tiansheng Property Service Co., Ltd.* 貴州金科天晟物業服務有限公司	The PRC, June 17, 2019, limited liability company	RMB1,000,000/ Nil	51%	51%	49%	49%	Property management services in Kaili	
Zhengzhou Fengyue Property Management Co., Ltd.* 鄭州豐越物業管理有限公司	The PRC, June 25, 2018, limited liability company	RMB1,000,000/ Nil	51%	51%	49%	49%	Property management services in Zhengzhou	

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14 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at December 31, 2020 and 2019 (Continued):

Company name	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Note
			2020	2019	2020	2019		
Hunan Jinke Jingchao Industrial Operation Management Co., Ltd.* 湖南金科景朝產業運營管理有限公司	The PRC, September 14, 2016, limited liability company	RMB5,000,000/ RMB5,00,000	51%	51%	49%	49%	Property management services in Changsha	
Shanxi Jinxue Business Service Co., Ltd.* 山西金學商務服務有限公司	The PRC, October 30, 2019, limited liability company	RMB5,000,000/ Nil	N/A	51%	N/A	49%	Property management services in Jinzhong	(vii)
Hebei Dayuan Jinke Property Service Co., Ltd.* 河北大元金科物業服務有限公司	The PRC, October 16, 2019, limited liability company	RMB3,000,000/ RMB1,000,000	65%	65%	35%	35%	Property management services in Cangzhou	
Chongqing Jinhongtong Construction Project Management Co., Ltd.* 重慶金鴻通建築工程項目管理有限公司	The PRC, November 5, 2019, limited liability company	RMB10,000,000/ RMB10,000,000	100%	100%	-	-	Construction management services in Chongqing	
Sichuan Jinke Xiangao Property Service Co., Ltd.* 四川金科祥奧物業服務有限公司	The PRC, November 8, 2019, limited liability company	RMB3,000,000/ RMB1,800,000	51%	51%	49%	49%	Property management services in Chengdu	
Ruzhou Jinke Keyuan Property Service Co., Ltd.* 汝州市金科科源物業服務有限公司	The PRC, November 15, 2019, limited liability company	RMB1,000,000/ RMB760,000	51%	51%	49%	49%	Property management services in Ruzhou	
Sichuan Jinke Rose Garden Property Service co., Ltd.* 四川金科玫瑰園物業服務有限公司	The PRC, October 18, 2019, limited liability company	RMB1,000,000/ Nil	60%	60%	40%	40%	Property management services in Panzhihua	
Sichuan Jinke Mingyue Property Management Co., Ltd.* 四川金科明悅物業管理有限公司	The PRC, September 16, 2019, limited liability company	RMB1,000,000/ Nil	51%	51%	49%	49%	Property management services in Pingchang	
Yunnan Jinxirui Property Service Co., Ltd.* 雲南金西瑞物業服務有限公司	The PRC, November 28, 2019, limited liability company	RMB1,000,000/ Nil	51%	51%	49%	49%	Property management services in Dehong	
Zunyi Jinke Jiayi Property Service Co., Ltd.* 遵義金科佳驛物業服務有限公司	The PRC, December 11, 2019, limited liability company	RMB2,000,000/ Nil	51%	51%	49%	49%	Property management services in Zunyi	
Chongqing Xinqidian Decoration Engineering Co., Ltd. 重慶新起點裝飾工程有限公司	The PRC, September 21, 2004, limited liability company	RMB50,000,000/ RMB50,000,000	100%	100%	-	-	Decoration services in Chongqing	
Chongqing Tianzhi Huiqi Technology Co., Ltd.* 重慶天智慧啟科技有限公司	The PRC, October 23, 2016, limited liability company	RMB10,000,000/ RMB10,000,000	100%	100%	-	-	Technology services in Chongqing	
Chongqing Difen Yihui Cultural Creativity Co., Ltd.* 重慶迪芬藝匯文化創意有限公司	The PRC, June 14, 2016, limited liability company	RMB5,000,000/ RMB5,000,000	100%	100%	-	-	Cultural management services in Chongqing	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at December 31, 2020 and 2019 (Continued):

Company name	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Note
			2020	2019	2020	2019		
Chongqing Tengjie Trading Co., Ltd.* 重慶騰界商貿有限公司	The PRC, March 25, 2016, limited liability company	RMB10,000,000/ RMB10,000,000	100%	100%	–	–	Trading services in Chongqing	
Shandong Jinke Zhonggao Property Service Co., Ltd.* 山東金科中高物業服務有限公司	The PRC, June 25, 2019, limited liability company	RMB3,000,000/ Nil	51%	51%	49%	49%	Property management services in Taian	
Anshun Jinke Tongju Property Service Co., Ltd.* 安順金科同聚物業服務有限公司	The PRC, December 18, 2018, limited liability company	RMB500,000/ Nil	N/A	51%	N/A	49%	Property management services in Anshun	(iv)
Lichuan Zhuangyuangu Property Management Co., Ltd.* 利川狀元谷物業管理有限公司	The PRC, November 27, 2018, limited liability company	RMB600,000/ Nil	100%	N/A	–	N/A	Property management services in Lichuan	(i)
Guizhou Jinke Chenyang Property Services Co., Ltd.* 貴州金科晨陽物業服務有限公司	The PRC, January 7, 2020, limited liability company	RMB500,000/ Nil	51%	N/A	49%	N/A	Property management services in Zunyi	
Jinke Senshou (Chongqing) Property Services Co., Ltd.* 金科森首(重慶)物業服務有限公司	The PRC, January 6, 2020, limited liability company	RMB1,000,000/ Nil	51%	N/A	49%	N/A	Property management services in Chongqing	
Shandong Jinke Lanbaowei Property Services Co., Ltd.* 山東金科蘭寶威物業服務管理有限公司	The PRC, March 20, 2020, limited liability company	RMB5,000,000/ Nil	51%	N/A	49%	N/A	Property management services in Linyi	
Jinke Jinshou (Chongqing) Enterprise Services Co., Ltd.* 金科金首(重慶)企業服務有限公司	The PRC, January 10, 2020, limited liability company	RMB1,000,000/ Nil	51%	N/A	49%	N/A	Property management services in Chongqing	
Xiayi Jinke Tongchuang Property Services Co., Ltd.* 夏邑縣金科同創物業服務有限公司	The PRC, April 17, 2020, limited liability company	RMB1,000,000/ RMB510,000	51%	N/A	49%	N/A	Property management services in Shangqiu	
Yunnan Jinke Chifeng Property Management Co., Ltd.* 雲南金科馳豐物業管理有限公司	The PRC, April 29, 2020, limited liability company	RMB1,000,000/ Nil	51%	N/A	49%	N/A	Property management services in Mengzi	
Yidu Golden Time Property Services Co., Ltd.* 宜都金時代物業服務有限公司	The PRC, May 11, 2020, limited liability company	RMB1,000,000/ Nil	100%	N/A	–	N/A	Property management services in Yidu	
Hubei Jinke Xinyuan Property Management Co., Ltd.* 湖北金科馨園物業管理有限責任公司	The PRC, April 29, 2020, limited liability company	RMB1,000,000/ Nil	51%	N/A	49%	N/A	Property management services in Yicheng	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at December 31, 2020 and 2019 (Continued):

Company name	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Note
			2020	2019	2020	2019		
Changdu Jinke Changda Property Services Co., Ltd.* 昌都市金科昌達物業服務有限公司	The PRC, April 29, 2020, limited liability company	RMB500,000/ Nil	51%	N/A	49%	N/A	Property management services in Changdu	
Yidu Jinlin Property Services Co., Ltd.* 宜都金麟物業服務有限公司	The PRC, June 19, 2020, limited liability company	RMB1,000,000/ Nil	100%	N/A	–	N/A	Property management services in Yidu	
Qingdao Jinhong City Services Co., Ltd.* 青島金鴻城市服務有限公司	The PRC, June 15, 2020, limited liability company	RMB3,000,000/ RMB300,000	51%	N/A	49%	N/A	Property management services in Qingdao	
Sichuan Jintuo Property Services Co., Ltd.* 四川金拓物業服務有限公司	The PRC, May 26, 2020, limited liability company	RMB1,000,000/ RMB1,000,000	51%	N/A	49%	N/A	Property management services in Chenghua	
Chongqing Yueyiren Human Resources Service Co., Ltd.* 重慶悅德仁人力資源服務有限公司	The PRC, July 29, 2020, limited liability company	RMB5,000,000/ RMB5,000,000	100%	N/A	–	N/A	Human resourcing in Chongqing	
Henan Jinke Shangbo Property Service Co., Ltd.* 河南金科尚博物業服務有限公司	The PRC, July 20, 2020, limited liability company	RMB1,000,000/ Nil	51%	N/A	49%	N/A	Property management services in Luoyang	
Guizhou Jinke Yongsheng Property Service Co., Ltd.* 貴州金科永盛物業服務有限責任公司	The PRC, August 27, 2020, limited liability company	RMB500,000/ Nil	51%	N/A	49%	N/A	Property management services in Wangmo	
Xishuangbanna Jinzhi Property Services Co., Ltd.* 西雙版納金智物業服務有限公司	The PRC, August 14, 2020, limited liability company	RMB500,000/ Nil	51%	N/A	49%	N/A	Property management services in Xishuangbanna	
Guizhou Jinke Yongchuang Property Management Co., Ltd.* 貴州金科勇創物業管理有限公司	The PRC, July 17, 2020, limited liability company	RMB500,000/ Nil	51%	N/A	49%	N/A	Property management services in Liupanshui	
Shandong Jinhao Property Service Co., Ltd.* 山東金灝物業服務有限公司	The PRC, July 13, 2020, limited liability company	RMB3,000,000/ Nil	70%	N/A	30%	N/A	Property management services in Jinan	
Shandong Jinke Haolin Parking Management Co., Ltd.* 山東金科浩霖停車管理有限公司	The PRC, July 14, 2020, limited liability company	RMB3,000,000/ Nil	51%	N/A	49%	N/A	Property management services in Jinan	
Changsha Jinke Heyue Property Services Co., Ltd.* 長沙金科和悅物業服務有限公司	The PRC, August 19, 2020, limited liability company	RMB1,000,000/ RMB200,000	60%	N/A	40%	N/A	Property management services in Liuyang	
Chongqing Xinshengyue Media Co., Ltd.* 重慶鑫生悅傳媒有限公司	The PRC, August 27, 2020, limited liability company	RMB5,000,000/ RMB2,000,000	100%	N/A	–	N/A	Advertising services in Chongqing	
Sanmenxia Jinke Xianglong Property Service Co., Ltd.* 三門峽市金科祥龍物業服務有限公司	The PRC, September 27, 2020, limited liability company	RMB1,000,000/ RMB510,000	51%	N/A	49%	N/A	Property management services in Sanmenxia	

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14 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at December 31, 2020 and 2019 (Continued):

Company name	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Note
			2020	2019	2020	2019		
Jinyifang (Chongqing) Enterprise Management Co., Ltd.* 金易房(重慶)企業管理有限公司	The PRC, September 1, 2020, limited liability company	RMB5,000,000/ Nil	70%	N/A	30%	N/A	Enterprise Management services in Chongqing	
Henan Jinxiu Jinke Property Service Co., Ltd.* 河南錦繡金科物業服務有限公司	The PRC, September 29, 2020, limited liability company	RMB10,000,000/ RMB510,000	51%	N/A	49%	N/A	Property management services in Xuchang	
Chongqing Haoshengjin Business Information Consulting Co., Ltd.* 重慶昊生金商務資訊諮詢有限公司	The PRC, October 15, 2020, limited liability company	RMB10,000,000/ Nil	100%	N/A	–	N/A	Property management services in Chongqing	
Jinke Housekeeper Property Service (Qingdao) Co., Ltd.* 金科管家物業服務(青島)有限公司	The PRC, November 12, 2020, limited liability company	RMB10,000,000/ Nil	55%	N/A	45%	N/A	Property management services in Qingdao	
Guangxi Jinke Housekeeper Smart Property Service Co., Ltd.* 廣西金科管家智慧物業服務有限公司	The PRC, November 26, 2020, limited liability company	RMB10,000,000/ Nil	55%	N/A	45%	N/A	Property management services in Nanning	
Jinke ninghuan (Ningxia) Smart City Operation and Management Co., Ltd.* 金科寧環(寧夏)智慧城市運營管理有限公司	The PRC, November 13, 2020, limited liability company	RMB10,000,000/ Nil	40%	N/A	60%	N/A	Property management services in Yinchuan	(xii)
Jiangxi Jinke Hongding Intelligent Technology Co., Ltd.* 江西金科宏鼎智能科技有限公司	The PRC, September 22, 2020, limited liability company	RMB5,000,000/ Nil	51%	N/A	49%	N/A	Property management services in Nanchang	
Sichuan jinshanghui Property Service Co., Ltd.* 四川金商匯物業服務有限公司	The PRC, November 18, 2020, limited liability company	RMB1,000,000/ Nil	51%	N/A	49%	N/A	Property management services in Chengdu	
Chongqing Jinke Zaoan Property Service Co., Ltd.* 重慶金科早安物業服務有限公司	The PRC, December 28, 2020, limited liability company	RMB600,000/ Nil	51%	N/A	49%	N/A	Property management services in Chongqing	
Chongqing Xingyuan Sports Culture Communication Co., Ltd.* 重慶星原體育文化傳播有限公司	The PRC, December 29, 2020, limited liability company	RMB5,000,000/ Nil	100%	N/A	–	N/A	Cultural management services in Chongqing	
Sichuan Jinke Dingrui Property Service Co., Ltd.* 四川金科鼎睿物業服務有限公司	The PRC, December 25, 2020, limited liability company	RMB1,000,000/ Nil	36%	N/A	64%	N/A	Property management services in Deyang	(xii)
Indirectly owned: Yichang Jinke Shanghui Commercial Management Co., Ltd.* 宜昌市金科商匯商業管理有限公司	The PRC, February 13, 2019, limited liability company	RMB500,000/ Nil	N/A	51%	N/A	49%	Property management services in Yichang	(ii)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at December 31, 2020 and 2019 (Continued):

Company name	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Note
			2020	2019	2020	2019		
Chongqing Jintanglang Advertising Co., Ltd.* 重慶金螳螂廣告有限公司	The PRC, March 08, 2019, limited liability company	RMB5,000,000/ RMB4,000,000	51%	51%	49%	49%	Advertising services in Chongqing	
Hubei Jinke Caizhi Operation and Management Co., Ltd.* 湖北金科財智經營管理有限公司	The PRC, August 09, 2019, limited liability company	RMB1,000,000/ Nil	60%	60%	40%	40%	Property management services in Yingshan	
Chongqing Jinke Village Supply Chain Management Co., Ltd.* 重慶金科鄉村供應鏈管理有限公司	The PRC, October 30, 2019, limited liability company	RMB10,000,000/ RMB2,560,000	61%	61%	39%	39%	Retail business in Chongqing	
Chongqing Jinke Dingrun Business Management Co., Ltd.* 重慶金科鼎潤商業管理有限公司	The PRC, December 30, 2019, limited liability company	RMB1,000,000/ Nil	N/A	51%	N/A	49%	Property management services in Chongqing	(v)

* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

- (i) On January 8, 2020, the Company completed its acquisition of 100% of the equity interests in Lichuan Zhuangyuan Property Service Co., Ltd.
- (ii) On March 25, 2020, Yichang Jinke Shanghui Commercial Management Co., Ltd was deregistered.
- (iii) On May 13, 2020, the Company completed its acquisition of 40% of the additional equity interests in Puyuan Jinyu.
- (iv) On June 18, 2020, Anshun Jinke Tongju Property Service Co., Ltd. was deregistered.
- (v) On June 22, 2020, Chongqing Jinke Dingrun Business Management Co., Ltd. was deregistered.
- (vi) On June 28, 2020, the Company completed its disposal of 100% of the equity interests in Chongqing Ruibo Asset Management Consulting Co., Ltd. to a third-party entity.
- (vii) On June 28, 2020, the Company completed its disposal of 51% of the equity interests in Shanxi Jinxue Business Service Co., Ltd. to a related-party entity.
- (viii) On June 28, 2020, the Company completed its disposal of 37% of the equity interests in Kangcheng International to third-party entities.
- (ix) On August 20, 2020, the Company completed its disposal of 100% of the equity interests in Jinsong Commercial Factoring Co., Ltd.
- (x) On August 20, 2020, the Company completed its acquisition of 49% of the additional equity interests in Jinke Dingheng.
- (xi) On December 18, 2020, the Company completed its acquisition of 49% of the additional equity interests in Wuxi Huijin.
- (xii) The voting rights of Jinke ninghuan (Ningxia) Smart City Operation and Management Co., Ltd. and Sichuan Jinke Dingrui Property Service Co., Ltd. held by the Company are 51%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT

	Equipment and machinery <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Furniture <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Right-of-use assets (Note 27) <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended December 31, 2019							
Opening net book amount	21,941	1,286	1,083	2,421	2,594	4,947	34,272
Additions	6,019	292	10	746	1,889	751	9,707
Transfer to leasehold improvements	–	–	–	2,302	(2,302)	–	–
Disposals	(285)	(10)	(10)	–	–	–	(305)
Depreciation charge	(6,475)	(381)	(334)	(1,433)	–	(1,962)	(10,585)
Closing net book amount	21,200	1,187	749	4,036	2,181	3,736	33,089
As of December 31, 2019							
Cost	45,549	2,563	2,195	8,288	2,181	7,325	68,101
Accumulated depreciation	(24,349)	(1,376)	(1,446)	(4,252)	–	(3,589)	(35,012)
Net book amount	21,200	1,187	749	4,036	2,181	3,736	33,089
Year ended December 31, 2020							
Opening net book amount	21,200	1,187	749	4,036	2,181	3,736	33,089
Additions	7,789	768	87	1,751	–	3,204	13,599
Disposal of subsidiaries (Note 32)	(10)	–	–	–	–	–	(10)
Transfer to leasehold improvements	–	–	–	2,181	(2,181)	–	–
Disposals	(325)	(5)	(3)	–	–	–	(333)
Depreciation charge	(6,598)	(438)	(261)	(2,631)	–	(2,072)	(12,000)
Closing net book amount	22,056	1,512	572	5,337	–	4,868	34,345
As of December 31, 2020							
Cost	50,278	3,227	2,215	12,220	–	10,529	78,469
Accumulated depreciation	(28,222)	(1,715)	(1,643)	(6,883)	–	(5,661)	(44,124)
Net book amount	22,056	1,512	572	5,337	–	4,868	34,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expenses were charged to the following categories in the consolidated statement of comprehensive income:

	Year ended December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of sales	6,499	5,576
Selling and marketing expenses	7	6
Administrative expenses	5,494	5,003
	<u>12,000</u>	<u>10,585</u>

(a) No property, plant and equipment is restricted or pledged as security for liabilities as of December 31, 2020 and 2019.

16 INTANGIBLE ASSETS

	Software <i>RMB'000</i>
Year ended December 31, 2019	
Opening net book amount	3,394
Additions	2,750
Amortization	<u>(1,127)</u>
Closing net book amount	<u>5,017</u>
As of December 31, 2019	
Cost	9,356
Accumulated amortization	<u>(4,339)</u>
Net book amount	<u>5,017</u>
Year ended December 31, 2020	
Opening net book amount	5,017
Additions	7,402
Amortization	<u>(2,431)</u>
Closing net book amount	<u>9,988</u>
As of December 31, 2020	
Cost	16,758
Accumulated amortization	<u>(6,770)</u>
Net book amount	<u>9,988</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS *(Continued)*

Amortization of intangible assets has been charged to the following categories in the consolidated statement of comprehensive income:

	Year ended December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of sales	546	176
Selling and marketing expenses	19	–
Administrative expenses	1,866	951
	<u>2,431</u>	<u>1,127</u>

(a) No intangible asset is restricted or pledged as security for liabilities as of December 31, 2020 and 2019.

17 INVENTORIES

	As of December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Merchandise goods	10,007	2,018
Consumables	4,312	2,861
Raw materials	1,936	947
	<u>16,255</u>	<u>5,826</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 OTHER ASSETS

The Group and the Company

	As of December 31,	
	2020	2019
	<i>RMB' 000</i>	<i>RMB' 000</i>
Parking lots	<u>60,602</u>	<u>74,240</u>

The Group held a small number of parking lots of certain properties it managed for ultimate sales purpose, but the sales of these parking lots is not the part of the Group's core business and the Group does not intend to engage in such business in the future.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As of December 31,	
	2020	2019
	<i>RMB' 000</i>	<i>RMB' 000</i>
Financial assets at amortized cost		
Trade and bill and other receivables (excluding prepayments) (Note 20)	1,491,893	3,516,600
Cash and cash equivalents (Note 21)	6,840,339	333,149
Restricted cash (Note 22)	<u>364</u>	<u>1,455</u>
	<u>8,332,596</u>	<u>3,851,204</u>
Financial liabilities at amortized cost		
Borrowings (Note 26)	-	1,830,000
Trade and bill and other payables (excluding accrued payroll and other taxes payables) (Note 25)	714,769	1,253,312
Lease liabilities (Note 27)	<u>5,433</u>	<u>3,857</u>
	<u>720,202</u>	<u>3,087,169</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND BILL AND OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Trade receivables (Note (a))		
– Related parties (Note 31(d))	294,683	142,130
– Third parties	772,736	413,894
	<u>1,067,419</u>	<u>556,024</u>
Less: allowance for impairment of trade receivables	(11,675)	(5,316)
	<u>1,055,744</u>	<u>550,708</u>
Bill receivables		
– Third parties	1,084	–
	<u>1,084</u>	<u>–</u>
Other receivables		
– Related parties (Note 31(d))	9,009	2,887,598
– Third parties	427,836	80,326
	<u>436,845</u>	<u>2,967,924</u>
Less: allowance for impairment of other receivables	(1,780)	(2,032)
	<u>435,065</u>	<u>2,965,892</u>
Prepayments		
– Third parties	85,569	114,961
	<u>85,569</u>	<u>114,961</u>
Prepaid tax	3,092	1,316
	<u>3,092</u>	<u>1,316</u>
	<u>1,580,554</u>	<u>3,632,877</u>
Less: non-current portion of other receivables	–	(1,145,000)
non-current portion of prepayments	(6,049)	–
	<u>(6,049)</u>	<u>–</u>
Current portion of trade and bill and other receivables and prepayments	<u>1,574,505</u>	<u>2,487,877</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND BILL AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The Company

	As of December 31,	
	2020	2019
	RMB' 000	RMB' 000
Trade receivables (Note (a))		
– Subsidiaries	207	38
– Related parties	254,708	132,742
– Third parties	547,901	369,229
	<u>802,816</u>	<u>502,009</u>
Less: allowance for impairment of trade receivables	<u>(8,380)</u>	<u>(4,563)</u>
	<u>794,436</u>	<u>497,446</u>
Bill receivables		
– Third parties	<u>1,084</u>	<u>–</u>
Other receivables		
– Subsidiaries	685,565	141,566
– Related parties	6,726	2,808,595
– Third parties	67,399	50,416
	<u>759,690</u>	<u>3,000,577</u>
Less: allowance for impairment of other receivables	<u>(1,158)</u>	<u>(1,380)</u>
	<u>758,532</u>	<u>2,999,197</u>
Prepayments		
– Subsidiaries	2,695	–
– Third parties	20,205	10,020
	<u>22,900</u>	<u>10,020</u>
Prepaid tax	<u>1,579</u>	<u>464</u>
	<u>1,578,531</u>	<u>3,507,127</u>
Less: non-current portion of other receivables	–	(1,145,000)
non-current portion of prepayments	<u>(5,929)</u>	<u>–</u>
Current portion of trade and bill and other receivables and prepayments	<u>1,572,602</u>	<u>2,362,127</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND BILL AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

- (a) Trade receivables mainly arise from property management services income and value-added services as provided to non-property owners.

Property management services income are received in accordance with the terms of the relevant services agreements. Service income from property management service is due for payment by the residents upon the issuance of demand note.

The receivables from the provision of value-added services to property developers are usually due for payment upon the issuance of document of settlement.

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

The Group

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

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. As of December 31, 2020 and 2019, a provision of RMB11,675,000 and RMB5,316,000 was made against the gross amounts of trade receivables (Note 3.1.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND BILL AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The Company

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Up to 1 year	766,829	491,937
1 to 2 years	33,075	7,961
2 to 3 years	2,054	2,111
3 to 4 years	1,942	–
	<u>803,900</u>	<u>502,009</u>

The Company applies the simplified approach to provide for ECL prescribed by HKFRS 9. As of December 31, 2020 and 2019, a provision of RMB8,380,000 and RMB4,563,000 was made against the gross amounts of trade receivables.

21 CASH AND CASH EQUIVALENTS

The Group

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

The Company

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Cash at bank and on hand (Note(a))		
– Dominated in HK\$	5,638,409	–
– Dominated in RMB	<u>928,905</u>	<u>214,994</u>
	<u>6,567,314</u>	<u>214,994</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH AND CASH EQUIVALENTS *(Continued)*

- (a) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.
- (b) As of December 31 2020, the balance of proceeds from the initial public offering of HK\$6,699,312,000, equivalent to RMB5,638,409,000, were temporarily deposited in the Group's bank accounts in Hong Kong and the PRC Mainland.

22 RESTRICTED CASH

Restricted cash represents a subsidiary's cash deposits held in a bank as the performance security for tourism services according to the requirements of local government authority.

23 SHARE CAPITAL/PAID-IN CAPITAL

The Group and the Company

	Number of ordinary shares	Paid-in capital/ Share capital <i>RMB'000</i>
Issued and fully paid		
Balance at December 31, 2019	N/A	50,000
Transfer from reserves to share capital (Note (a))	455,472,500	405,473
Capital contribution from owners (Note (b))	44,527,500	44,527
Issue of shares in connection with the Listing (Note (c))	152,848,100	152,848
	<u>652,848,100</u>	<u>652,848</u>
Balance at December 31, 2020	<u>652,848,100</u>	<u>652,848</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL/PAID-IN CAPITAL *(Continued)*

- (a) On May 28, 2020, the Company was converted from a limited liability company into a joint stock company with limited liability. By reference to the Company's net asset value at January 31, 2020, the Company issued 455,472,500 shares at par value of RMB1 each to the shareholders.
- (b) On June 8, 2020, Panxin (Shanghai) Investment Center (Limited Partnership), Wuhan Gaoling Zhicheng AI Private Equity Fund II, L.P. and Beijing Ronghui Yangguang Yongsheng Investment Management Center (Limited Partnership) entered into a capital increase agreement with the Company and its shareholders and subscribed 20,500,000, 10,000,000 and 14,027,500 shares of the Company at the consideration of RMB220,090,000, RMB107,361,000 and RMB150,601,000 respectively. On June 12, 2020, share capital of the Company was increased from RMB455,472,500 to RMB500,000,000 and the increase in capital reserve representing the proceeds received from the capital increase in excess of the increased amount of share capital of the Company of RMB433,525,500.
- (c) On November 17, 2020, and December 15, 2020, the Company issued H shares of 132,911,400 and 19,936,700 respectively at a nominal value of RMB1 per share. Such shares were offered at HK\$44.7 per share and listed on the Main Board of the Stock Exchange. Gross proceeds from the issue amounted to HK\$6,832,310,000 (equivalent to RMB5,791,393,000). After deducting the underwriting fees and relevant expenses, net proceeds from the issue amounted to RMB5,648,855,000, among of which, RMB152,848,000 was recorded as share capital and RMB5,496,007,000 was recorded as share premium (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 RESERVES

The Group

	Capital reserves <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Total other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total reserves <i>RMB'000</i>
Balance at January 1, 2019	52,550	25,000	77,550	187,900	265,450
Profit for the year	–	–	–	366,452	366,452
Deemed distributions to the shareholders of the Company	(52,550)	–	(52,550)	–	(52,550)
Dividend declared to shareholders of the Company	–	–	–	(146,652)	(146,652)
Balance at December 31, 2019	–	25,000	25,000	407,700	432,700
Balance at January 1, 2020	–	25,000	25,000	407,700	432,700
Profit for the year	–	–	–	617,594	617,594
Transfer from reserves to share capital (Note 23(a))	19,805	(25,000)	(5,195)	(400,278)	(405,473)
Capital contribution from owners (Note 23(b))	433,525	–	433,525	–	433,525
Issue of shares in connection with the Listing (Note 23(c))	5,496,007	–	5,496,007	–	5,496,007
Acquisition of additional interests in subsidiaries (Note 33(a))	(12,222)	–	(12,222)	–	(12,222)
Change in ownership interests in a subsidiary without change of control (Note 33(b))	(827)	–	(827)	–	(827)
Appropriation of statutory reserves (Note (a))	–	56,982	56,982	(56,982)	–
Balance at December 31, 2020	5,936,288	56,982	5,993,270	568,034	6,561,304

- (a) In accordance with relevant rules and regulations in the PRC, the PRC Group entities are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective Group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 TRADE AND BILL AND OTHER PAYABLES

The Group

	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (Note (a))		
– Related parties (Note 31(d))	493	43
– Third parties	<u>270,810</u>	<u>144,196</u>
	<u>271,303</u>	<u>144,239</u>
Bill payables		
– Third parties	<u>7,936</u>	<u>8,909</u>
Other payables		
– Related parties (Note 31(d))	13,621	738,771
– Third parties	<u>421,539</u>	<u>349,258</u>
	<u>435,160</u>	<u>1,088,029</u>
Accrued payroll	69,849	114,217
Other taxes payables	49,801	30,880
Interests payables	–	12,135
Dividend payables	<u>370</u>	<u>–</u>
	<u>120,020</u>	<u>157,232</u>
	<u>834,419</u>	<u>1,398,409</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 TRADE AND BILL AND OTHER PAYABLES (Continued)

The Company

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Trade payables (Note (a))		
– Subsidiaries	3,590	–
– Related parties	452	43
– Third parties	205,727	115,577
	<u>209,769</u>	<u>115,620</u>
Bill payables		
– Third parties	7,749	7,519
Other payables		
– Subsidiaries	82,122	13,244
– Related parties	6,912	738,668
– Third parties	394,314	319,792
	<u>483,348</u>	<u>1,071,704</u>
Accrued payroll	56,657	104,230
Other taxes payables	40,443	28,531
Interests payables	–	12,135
	<u>97,100</u>	<u>144,896</u>
	<u><u>797,966</u></u>	<u><u>1,339,739</u></u>

As of December 31, 2020 and 2019, the carrying amounts of trade and bill and other payables approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 TRADE AND BILL AND OTHER PAYABLES (Continued)

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

The Group

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

The Company

	As of December 31,	
	2020 <i>RMB' 000</i>	2019 <i>RMB' 000</i>
Up to 1 year	215,178	122,221
1 to 2 years	1,987	434
2 to 3 years	161	413
Over 3 years	192	71
	<u>217,518</u>	<u>123,139</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 BORROWINGS

The Group and the Company

	As of December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current	-	1,145,000
Current	-	685,000
	<u>-</u>	<u>1,830,000</u>
	<u>-</u>	<u>1,830,000</u>

As of December 31, 2019, the borrowings of the Group and the Company were repayable as follows:

	As of December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	-	685,000
1 to 2 year	-	272,000
2 to 5 year	-	873,000
	<u>-</u>	<u>1,830,000</u>
	<u>-</u>	<u>1,830,000</u>

27 LEASES

(a) Amounts recognized in the statements of financial position

The Group

	As of December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Right-of-use assets		
– Properties	4,868	3,736
Lease liabilities		
– Current	1,748	1,331
– Non-current	3,685	2,526
	<u>5,433</u>	<u>3,857</u>
	<u>5,433</u>	<u>3,857</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 LEASES (Continued)

(a) Amounts recognized in the statements of financial position (Continued)

The Company

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Right-of-use assets		
– Properties	3,000	3,198
Lease liabilities		
– Current	1,268	1,163
– Non-current	2,062	2,143
	3,330	3,306

As of December 31, 2020 and 2019, right-of-use assets have been included in property, plant and equipment of the Group and the Company.

(b) Amounts recognized in the consolidated statement of comprehensive income

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Depreciation charge		
– Properties	2,072	1,962
Interest expense (included in finance cost) (Note 11)	261	261
Expenses relating to short-term leases (included in cost of sales, selling and marketing expenses and administrative expense) (Note 8)	7,976	7,012
Total cash outflows for leases	9,865	9,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 LEASES (Continued)

(c) A maturity analysis of lease liabilities is shown in the table below:

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Leases are payable:		
Within 1 year	2,011	1,513
1 to 2 years	1,682	1,235
2 to 5 years	2,090	1,479
More than 5 years	276	–
	<hr/>	<hr/>
Minimum lease payments	6,059	4,227
Future finance charge	(626)	(370)
	<hr/>	<hr/>
Total lease liabilities	<u>5,433</u>	<u>3,857</u>
The present value of lease liabilities is as follows:		
Within 1 year	1,748	1,331
1 to 2 years	1,512	1,121
2 to 5 years	1,905	1,405
More than 5 years	268	–
	<hr/>	<hr/>
Total lease liabilities	<u>5,433</u>	<u>3,857</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	6,154	8,434
– Deferred income tax assets to be recovered within 12 months	402	703
– Set-off of deferred income tax liabilities pursuant to set-off provisions	(1,610)	(1,057)
	<u>4,946</u>	<u>8,080</u>
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(1,552)	(1,354)
– Deferred income tax liabilities to be settled within 12 months	(734)	(645)
– Set-off of deferred income tax liabilities pursuant to set-off provisions	1,610	1,057
	<u>(676)</u>	<u>(942)</u>
	<u>4,270</u>	<u>7,138</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets/(liabilities) during the years ended December 31, 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Allowance on doubtful debts <i>RMB'000</i>	Accrued expenses <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Excess of carrying amount of property, plant and equipment over the tax bases <i>RMB'000</i>	Total <i>RMB'000</i>
As of January 1, 2019	694	612	7,216	(1,877)	6,645
Credited/(charged) to profit or loss	593	(557)	579	(122)	493
As of December 31, 2019	<u>1,287</u>	<u>55</u>	<u>7,795</u>	<u>(1,999)</u>	<u>7,138</u>
As of January 1, 2020	1,287	55	7,795	(1,999)	7,138
Credited/(charged) to profit or loss	1,180	(55)	(3,695)	(287)	(2,857)
Disposal of subsidiaries (Note 32)	(11)	–	–	–	(11)
As of December 31, 2020	<u>2,456</u>	<u>–</u>	<u>4,100</u>	<u>(2,286)</u>	<u>4,270</u>

29 DIVIDENDS

The Board of Directors recommended the payment of a 2020 final dividend of RMB0.50 per share (before tax), totalling RMB326,424,050. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Profit before income tax	767,555	450,112
Adjustments for:		
– Depreciation of property, plant and equipment (Note 15)	12,000	10,585
– Amortization of intangible assets (Note 16)	2,431	1,127
– Net foreign exchange losses	40,303	–
– Net impairment losses on financial assets (Note 3.1.3)	8,222	4,018
– Losses on disposal of property, plant and equipment (Note 10)	157	167
– Gains on disposal of other assets (Note 10)	(904)	(1,894)
– Finance income – net (Note 11)	(8,374)	(769)
– Interest income from loans to related parties (Note 7)	(15,281)	(26,799)
– Losses from disposal of subsidiaries (Note 10)	2,457	–
– Share of net losses/(profits) of an associate and joint ventures accounted for using the equity method	845	(160)
	<u>809,411</u>	<u>436,387</u>
Changes in working capital:		
– Inventories	(10,429)	(955)
– Trade and bill and other receivables and prepayments	(845,841)	(378,850)
– Contract liabilities	95,573	71,742
– Trade and bill and other payables	176,879	141,465
– Restricted cash	1,091	(28)
	<u>226,684</u>	<u>269,761</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) The reconciliation of liabilities arising from financial activities is as follow:

	Borrowings and interest payables <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Dividends payable <i>RMB'000</i>	Total <i>RMB'000</i>
As of January 1, 2019	2,347,654	5,006	–	2,352,660
Cash flows				
– Inflow from financing activities	–	–	–	–
– Outflow from financing activities	(665,220)	(2,161)	(146,652)	(814,033)
Non-cash changes				
– Acquisition-leases	–	751	–	751
– Finance expense recognized	159,701	261	–	159,962
– Accrued dividends payable	–	–	146,652	146,652
As of December 31, 2019	<u>1,842,135</u>	<u>3,857</u>	<u>–</u>	<u>1,845,992</u>
As of January 1, 2020	1,842,135	3,857	–	1,845,992
Cash flows				
– Inflow from financing activities	–	–	–	–
– Outflow from financing activities	(1,918,862)	(1,889)	(2,828)	(1,923,579)
Non-cash changes				
– Acquisition-leases	–	3,204	–	3,204
– Finance expense recognized	76,727	261	–	76,988
– Accrued dividends payable	–	–	3,198	3,198
As of December 31, 2020	<u>–</u>	<u>5,433</u>	<u>370</u>	<u>5,803</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Jinke Property Group	Ultimate holding company and its subsidiaries
Hunan Jinke Property Development Co., Ltd* 湖南金科房地產開發有限公司	Joint ventures/associates of Jinke Property
Wujiaqu Jinke Property Development Co., Ltd* 五家渠金科房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Jinjiahe Property Development Co., Ltd* 重慶金佳禾房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Kunxiang Yutang Property Development Co., Ltd* 重慶昆翔譽棠房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Pinjinyue Property Development Co., Ltd* 重慶品錦悅房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Xidao Property Development Co., Ltd* 重慶西道房地產開發有限公司	Joint ventures/associates of Jinke Property
Henan Jinshangbaishi Enterprises Co., Ltd* 河南金上百世置業有限公司	Joint ventures/associates of Jinke Property
Henan Zhongjian Jinlun Enterprises Co., Ltd* 河南中建錦倫置業有限公司	Joint ventures/associates of Jinke Property
Henan Zhongshu Enterprises Co., Ltd* 河南中書置業有限公司	Joint ventures/associates of Jinke Property
Chongqing Xilianjin Property Development Co., Ltd* 重慶西聯錦房地產開發有限公司	Joint ventures/associates of Jinke Property
Yunnan Jiaxun Property Development Co., Ltd* 雲南嘉遜房地產開發有限公司	Joint ventures/associates of Jinke Property
Gongyi Bixin Enterprises Co., Ltd* 鞏義市碧欣置業有限公司	Joint ventures/associates of Jinke Property
Zhumadian Bisheng Enterprises Co., Ltd* 駐馬店市碧盛置業有限公司	Joint ventures/associates of Jinke Property
Anqing Jinshixiang Property Development Co., Ltd* 安慶金世祥房地產開發有限公司	Joint ventures/associates of Jinke Property
Linquan County Jiarun Property Development Co., Ltd* 臨泉縣嘉潤房地產開發有限公司	Joint ventures/associates of Jinke Property
Lanxi Zhonglianglong Enterprises Co., Ltd* 蘭溪中梁龍置業有限公司	Joint ventures/associates of Jinke Property
Lanxi Hongke Enterprises Co., Ltd* 蘭溪鴻科置業有限公司	Joint ventures/associates of Jinke Property
Changzhou Liangyue Enterprises Co., Ltd* 常州梁悅置業有限公司	Joint ventures/associates of Jinke Property
Changzhou Meike Property Development Co., Ltd* 常州市美科房地產發展有限公司	Joint ventures/associates of Jinke Property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Yueyang County Dingyue Property Development Co., Ltd* 岳陽縣鼎岳房地產開發有限公司	Joint ventures/associates of Jinke Property
Jian Jinchun Property Development Co., Ltd* 吉安金晨房地產開發有限公司	Joint ventures/associates of Jinke Property
Xuchang Jinyao Property Co., Ltd* 許昌金耀房地產有限公司	Joint ventures/associates of Jinke Property
Suzhou Xincheng Jinyue Property Development Co., Ltd* 宿州新城金悅房地產開發有限公司	Joint ventures/associates of Jinke Property
Shijiazhuang Jinke Property Development Co., Ltd* 石家莊金科房地產開發有限公司	Joint ventures/associates of Jinke Property
Hebei Guokong Lancheng Property Development Co., Ltd* 河北國控藍城房地產開發有限公司	Joint ventures/associates of Jinke Property
Suzhou Tianchen Property Development Co., Ltd* 蘇州天宸房地產開發有限公司	Joint ventures/associates of Jinke Property
Changzhou Jinke Property Development Co., Ltd* 常州金科房地產開發有限公司	Joint ventures/associates of Jinke Property
Fujian Hilton Holiday Hotel Co., Ltd* 福建希爾頓假日大酒店有限公司	Joint ventures/associates of Jinke Property
Chongqing Jinke Junzhi Property Development Co., Ltd* 重慶市金科駿志房地產開發有限公司	Joint ventures/associates of Jinke Property
Dalian Hongkun Enterprises Co., Ltd* 大連弘坤實業有限公司	Joint ventures/associates of Jinke Property
Shijiazhuang Jinke Tianyao Property Development Co., Ltd* 石家莊金科天耀房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Meike Property Development Co., Ltd* 重慶美科房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Bijiyi Property Development Co., Ltd* 重慶市碧嘉逸房地產開發有限公司	Joint ventures/associates of Jinke Property
Yunnan Jinke Xinhaihui Enterprises Co., Ltd* 雲南金科鑫海匯置業有限公司	Joint ventures/associates of Jinke Property
Changzhou Baijun Property Development Co., Ltd* 常州百俊房地產開發有限公司	Joint ventures/associates of Jinke Property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Nanjing Yuhong Property Development Co., Ltd* 南京裕鴻房地產開發有限公司	Joint ventures/associates of Jinke Property
Changde Dingye Property Development Co., Ltd* 常德市鼎業房地產開發有限公司	Joint ventures/associates of Jinke Property
Chengdu Leading Property Development Co., Ltd* 成都領跑房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Bijinhui Property Development Co., Ltd* 重慶市碧金輝房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Jinjianglian Property Development Co., Ltd* 重慶金江聯房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Shengmu Property Development Co., Ltd* 重慶盛牧房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Meichengjin Property Development Co., Ltd* 重慶美城金房地產開發有限公司	Joint ventures/associates of Jinke Property
Hengyang Dingheng Property Development Co., Ltd* 衡陽市鼎衡房地產開發有限公司	Joint ventures/associates of Jinke Property
Shangrao Yuesheng Property Development Co., Ltd* 上饒市悅盛房地產開發有限公司	Joint ventures/associates of Jinke Property
Yidu Jiaotou Jinwei Property Development Co., Ltd* 宜都交投金緯房地產開發有限公司	Joint ventures/associates of Jinke Property
Yiwu Lianxiang Enterprises Co., Ltd* 義烏市聯祥置業有限公司	Joint ventures/associates of Jinke Property
Shenyang Junyu Property Development Co., Ltd* 瀋陽駿宇房地產開發有限公司	Joint ventures/associates of Jinke Property
Shanghai Longjun Property Development Co., Ltd* 上海瓏竣房地產開發有限公司	Joint ventures/associates of Jinke Property
Guangxi Tangpeng Investment Co., Ltd.* 廣西唐鵬投資有限公司	Joint ventures/associates of Jinke Property
Chongqing Jinnan Shengtang Property Development Co., Ltd* 重慶金南盛唐房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Jinyonghe Property Development Co., Ltd* 重慶金永禾房地產開發有限公司	Joint ventures/associates of Jinke Property
Nanyang Zhongliang Chengtong Enterprises Co., Ltd* 南陽中梁城通置業有限公司	Joint ventures/associates of Jinke Property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Name and relationship with related parties *(Continued)*

Name	Relationship
Dalian Runyu Property Development Co., Ltd* 大連潤譽房地產開發有限公司	Joint ventures/associates of Jinke Property
Zhengzhou Xinyinke Enterprises Co., Ltd* 鄭州新銀科置業有限公司	Joint ventures/associates of Jinke Property
Wenzhou Kaiyi Enterprises Co., Ltd* 溫州市凱壹置業有限公司	Joint ventures/associates of Jinke Property
Dalian Fengmao Enterprises Co., Ltd* 大連豐茂置業有限公司	Joint ventures/associates of Jinke Property
Yueqing Liangpin Enterprises Co., Ltd* 樂清市梁品置業有限公司	Joint ventures/associates of Jinke Property
Chongqing Taijun Property Development Co., Ltd* 重慶泰駿房地產開發有限公司	Joint ventures/associates of Jinke Property
Hubei Jiaotou Hailujing Suizhou Enterprises Co., Ltd* 湖北交投海陸景隨州置業開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Wisler Construction Co., Ltd.* 重慶威斯勒建設有限公司	Joint ventures/associates of Jinke Property
Chongqing Meichen Property Development Co., Ltd* 重慶美宸房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing Jinjiamai Property Development Co., Ltd* 重慶金嘉美房地產開發有限公司	Joint ventures/associates of Jinke Property
Zhengzhou Qianshang Enterprises Co., Ltd* 鄭州千上置業有限公司	Joint ventures/associates of Jinke Property
Shangrao Kesong Enterprises Co., Ltd* 上饒市科頌置業有限公司	Joint ventures/associates of Jinke Property
Jinsong Commercial Factoring Co., Ltd* 金松商業保理有限公司	Joint ventures/associates of Jinke Property
Beijing Jinke Jinbi Real Estate Co. Ltd* 北京金科金碧置業有限公司	Joint ventures/associates of Jinke Property
Chengdu Chenpan Real Estate Co., Ltd* 成都辰攀置業有限公司	Joint ventures/associates of Jinke Property
Suzhou Zhuojun Real Estate Development Co. Ltd* 蘇州卓竣房地產開發有限公司	Joint ventures/associates of Jinke Property
Suzhou Zhengnuo Real Estate Development Co. Ltd* 蘇州正諾房地產開發有限公司	Joint ventures/associates of Jinke Property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Suzhou Xiaojun Real Estate Development Co. Ltd* 蘇州驍竣房地產開發有限公司	Joint ventures/associates of Jinke Property
Chongqing western consumption poverty alleviation industry development co. Ltd* 重慶西部消費扶貧產業發展有限公司	Joint ventures/associates of Jinke Property
Haian Baijun Real Estate Development Co. Ltd* 海安市百俊房地產開發有限公司	Joint ventures/associates of Jinke Property
Guangxi Yuanshan Investment Co. Ltd* 廣西元善投資有限公司	Joint ventures/associates of Jinke Property
Guigang Yuegui Real Estate Development Co., Ltd* 貴港悅桂房地產開發有限公司	Joint ventures/associates of Jinke Property
Foshan Jinji Real Estate Development Co. Ltd* 佛山市金集房地產開發有限公司	Joint ventures/associates of Jinke Property
Nanning Qingzhou Real Estate Development Co. Ltd* 南寧晴洲房地產開發有限公司	Joint ventures/associates of Jinke Property
Taizhou Shimao New Mileage Real Estate Co. Ltd* 台州世茂新里程置業有限公司	Joint ventures/associates of Jinke Property
Suqian Tongjinhong Real Estate Co. Ltd* 宿遷市通金弘置業有限公司	Joint ventures/associates of Jinke Property
Shenyang Junhan Real Estate Development Co. Ltd* 瀋陽駿瀚房地產開發有限公司	Joint ventures/associates of Jinke Property
Sabaya Jinmengquan Real Estate Development Co. Ltd* 泗水金孟泉房地產開發有限公司	Joint ventures/associates of Jinke Property
Wenzhou Jingrong Real Estate Co., Ltd* 溫州景容置業有限公司	Joint ventures/associates of Jinke Property
Chongqing Keshijin Real Estate Co. Ltd* 重慶科世金置業有限公司	Joint ventures/associates of Jinke Property
Chongqing Supin Real Estate Development Co. Ltd* 重慶肅品房地產開發有限公司	Joint ventures/associates of Jinke Property
Wuhan Yejin Real Estate Development Co. Ltd* 武漢業錦房地產開發有限公司	Joint ventures/associates of Jinke Property
Wenzhou Glory Real Estate Co. Ltd* 溫州榮耀置業有限公司	Joint ventures/associates of Jinke Property
Jinke Confidence Group Co. Ltd* 金科置信集團有限公司	Joint ventures/associates of Jinke Property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Name and relationship with related parties *(Continued)*

Name	Relationship
Changzhou Tianchen Real Estate Development Co., Ltd* 常州天宸房地產開發有限公司	Joint ventures/associates of Jinke Property
Yuxi Jinke Junhui Real Estate Development Co. Ltd* 玉溪金科駿輝房地產開發有限公司	Joint ventures/associates of Jinke Property
Guizhou Changsa Real Estate Development Co. Ltd* 貴州昌薩房地產開發有限公司	Joint ventures/associates of Jinke Property
Taicang Xingyu Real Estate Co., Ltd* 太倉興裕置業有限公司	Joint ventures/associates of Jinke Property
Shenyang Liangming Real Estate Development Co. Ltd* 瀋陽梁銘房地產開發有限公司	Joint ventures/associates of Jinke Property
Ji 'an Jin Song Real Estate Development Co. Ltd* 吉安金頌房地產開發有限公司	Joint ventures/associates of Jinke Property
Suqian Liangyue Real Estate Co. Ltd* 宿遷梁悅置業有限公司	Joint ventures/associates of Jinke Property
Chongqing Jinjiahai Real Estate Development Co. Ltd* 重慶金嘉海房地產開發有限公司	Joint ventures/associates of Jinke Property
Jiashan Tianchen Real Estate Development Co., Ltd* 嘉善天宸房地產開發有限公司	Joint ventures/associates of Jinke Property
Chengdu Shengbu Real Estate Development Co. Ltd* 成都市盛部房地產開發有限公司	Joint ventures/associates of Jinke Property
Taicang Zhuorun Real Estate Development Co. Ltd* 太倉卓潤房地產開發有限公司	Joint ventures/associates of Jinke Property
Guangzhou Jingyu Real Estate Development Co. Ltd* 廣州景譽房地產開發有限公司	Joint ventures/associates of Jinke Property
Maoming Jinxiao Real Estate Development Co., Ltd* 茂名市茂南區金驍房地產開發有限公司	Joint ventures/associates of Jinke Property
Zhangjiagang Dongjun Real Estate Development Co. Ltd* 張家港東峻房地產開發有限公司	Joint ventures/associates of Jinke Property
Haimen Ganghua Real Estate Co., Ltd* 海門港華置業有限公司	Joint ventures/associates of Jinke Property
Chongqing Zhongliang Yongsheng Real Estate Development Co. Ltd* 重慶中梁永昇房地產開發有限公司	Joint ventures/associates of Jinke Property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Tianjin Junye Co-Create Real Estate Co., Ltd* 天津駿業共創置業有限公司	Joint ventures/associates of Jinke Property
Wuxi Fuyang Real Estate Development Co. Ltd* 無錫福陽房地產開發有限公司	Joint ventures/associates of Jinke Property
Chengdu Guoze Tianxiang Tourism Investment Co. Ltd* 成都國色天鄉旅遊投資有限公司	Joint ventures/associates of Jinke Property
Chengdu Yuntu Tourism Resources Development Co. Ltd* 成都雲途旅遊資源開發有限公司	Joint ventures/associates of Jinke Property
Chengdu Guoze Tianxiang Commercial Management Co. Ltd* 成都國色天鄉商業經營管理有限公司	Joint ventures/associates of Jinke Property
Chengdu Jianfeng Tongjing Decoration Engineering Co., Ltd* 成都建豐同璟裝飾工程有限公司	Joint ventures/associates of Jinke Property
Chengdu Liankang Investment Co. Ltd* 成都連康投資有限公司	Joint ventures/associates of Jinke Property
Chengdu Qingyang Industrial Construction Development Co. Ltd* 成都青羊工業建設發展有限公司	Joint ventures/associates of Jinke Property
Chengdu Jiashan Business Service Management CO., Ltd* 成都嘉善商務服務管理有限公司	Joint ventures/associates of Jinke Property
Hubei Jiaotou Jinke Property Service Co., Ltd* 湖北交投金科物業服務有限公司	Joint ventures/associates of Jinke Services
Anhui Kejian Property Service Co., Ltd* 安徽科建物業服務有限公司	Joint ventures/associates of Jinke Services
Shanxi Jinke Taihang Property Service Co., Ltd* 山西金科太行物業服務有限公司	Joint ventures/associates of Jinke Services
Chongqing Jinyuejia Education and Technology Co., Ltd* 重慶金悅佳教育科技有限公司	Joint ventures/associates of Jinke Services
Neijiang Jinchun Wisdom Property Service Co., Ltd* 內江市金宸智慧物業服務有限公司	Joint ventures/associates of Jinke Services
Huairan Chengke Property Service Co. Ltd* 懷仁市城科物業服務有限公司	Joint ventures/associates of Jinke Services

* The English name of the related parties represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

	Year ended December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Provision of services		
– Jinke Property Group	651,113	523,317
– Joint ventures and associates of Jinke Property	113,625	74,536
– Joint ventures and associates of Jinke Services	712	–
	<u>765,450</u>	<u>597,853</u>
Purchase of goods and services		
– Jinke Property Group	<u>1,888</u>	<u>6,344</u>
Rental expenses		
– Jinke Property Group	<u>162</u>	<u>165</u>
Advances to related parties		
– Jinke Property Group	<u>398,000</u>	<u>1,003,440</u>
Repayments from related parties		
– Jinke Property Group	<u>2,585,208</u>	<u>1,491,483</u>
Interest income on loans to related parties		
– Jinke Property Group	<u>90,372</u>	<u>186,355</u>

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(c) Key management compensation

The key strategic and operation decisions of the Group are made by the directors of the Company and their compensations and remuneration have been set out in Note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balances with related parties *(Continued)*

The interest and repayment terms of the loans as advanced back to the subsidiaries of Jinke Property have been disclosed in Note 26. The remaining loans to the Jinke Property Group bear interests at the fixed rate of 10% per annum and are repayable on demand. For the years ended December 31, 2020 and 2019, the interest income on these remaining loans to the Jinke Property Group amounted to RMB15,281,000 and RMB26,799,000 respectively which have been presented as “other income” in the consolidated statement of comprehensive income (Note 7).

Other payables due to related parties are unsecured, interest-free and repayable on demand.

32 DISPOSAL OF SUBSIDIARIES

From June to August 2020, the Company disposed the entire equity interests in Chongqing Ruibo Asset Management Consulting Co., Ltd., Shanxi Jinxue Business Service Co., Ltd. and Jinsong Commercial Factoring Co., Ltd., subsidiaries of the Company, at considerations of RMB60,648,000 in aggregate (collectively the “Disposals”).

Details of the Disposals, the assets and liabilities associated with these subsidiaries being disposed of are summarised as follows:

	<i>RMB'000</i>
Considerations	60,648
Carrying amounts of assets and liabilities of the disposed subsidiaries	
Property, plant and equipment	10
Trade and other receivables	62,709
Cash and cash equivalents	2,212
Deferred income tax assets	11
Trade and other payables	(1,737)
Total carrying amount of net assets of the disposed subsidiaries	63,205
Less: non-controlling interests	(100)
Net assets disposed of the disposed subsidiaries	63,105
Net cash outflow arising from disposal of subsidiaries	
Cash consideration received	60,648
Less: Cash and cash equivalents disposed of	(2,212)
	58,436

The losses on the Disposals, representing the difference between the considerations and carrying amounts of net assets disposed of, of RMB2,457,000 has been recognized in the consolidated statement of comprehensive income within “Other (losses)/gains-net”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in subsidiaries

On May 10, 2020, the Company entered into an equity interest transfer agreement with Zhengzhou Puyuan Property Services Co., Ltd. in respect of transfer of its 40% equity interests in Puyuan Jinyu to the Company at a nil consideration. On May 13, 2020, the equity interest transfer was completed. The effect of changes in the ownership interest of Puyuan Jinyu on the equity attributable to owners of the Company during the period is summarised as follows:

	<i>RMB'000</i>
Consideration paid to non-controlling interests	–
Carrying amount of net asset attributable to the non-controlling interests acquired	<u>1,250</u>
Gain recognized within equity	<u><u>1,250</u></u>

On July 14, 2020, the Company entered into an equity interest transfer agreement with Guangan Dongsen Property Services Co., Ltd. in respect of transfer of its 49% equity interests in Jinke Dingheng to the Company at a consideration of RMB100,000. On August 20, 2020, the equity interest transfer was completed. The effect of changes in the ownership interest of Jinke Dingheng on the equity attributable to owners of the Company during the period is summarised as follows:

	<i>RMB'000</i>
Consideration paid to non-controlling interests	100
Carrying amount of net asset attributable to the non-controlling interests acquired	<u>–</u>
Loss recognized within equity	<u><u>(100)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

(a) Acquisition of additional interest in subsidiaries *(Continued)*

On October 9, 2020, the Company entered into an equity interest transfer agreement with Mr. Li Yaodong in respect of transfer of its 49% equity interests in Wuxi Huijin to the Company at a consideration of RMB15,360,000. On December 18, 2020, the equity interest transfer was completed. The effect of changes in the ownership interest of Wuxi Huijin on the equity attributable to owners of the Company during the period is summarised as follows:

	<i>RMB'000</i>
Consideration paid to non-controlling interests	15,359
Carrying amount of net asset attributable to the non-controlling interests acquired	<u>1,987</u>
Loss recognized within equity	<u><u>(13,372)</u></u>

(b) Changes in ownership interests in a subsidiary without change of control

On May 25, 2020, the Company entered into an equity interest transfer agreement with Beijing Zhongxin Youyou International Travel Agency Co., Ltd. ("Beijing Zhongxin") and Chongqing Guoxin International Travel Agency Co., Ltd. ("Chongqing Guoxin") in respect of the transfer of the 20% and 17% equity interests in Kangcheng International to Beijing Zhongxin and Chongqing Guoxin at the considerations of RMB1,252,000 and RMB1,064,200 respectively. On June 28, 2020, the equity interests transfer was completed.

The effect of changes in the ownership interest of Kangcheng International on the equity attributable to owners of the Company during the period is summarised as follows:

	<i>RMB'000</i>
Consideration receivables from non-controlling interests	2,316
Carrying amount of net asset attributable to the non-controlling interests disposed	<u>(3,143)</u>
Loss recognized within equity	<u><u>(827)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As of December 31,	
	Note	2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		26,281	28,699
Intangible assets		9,494	4,321
Investment in subsidiaries		143,168	152,745
Investment in an associate and joint ventures		4,850	160
Other receivables and prepayments	20	5,929	1,145,000
		<u>189,722</u>	<u>1,330,925</u>
Current assets			
Inventories		3,890	2,501
Other assets	18	60,602	74,240
Trade and bill and other receivables and prepayments	20	1,572,602	2,362,127
Cash and cash equivalents	21	6,567,314	214,994
		<u>8,204,408</u>	<u>2,653,862</u>
Total assets		<u>8,394,130</u>	<u>3,984,787</u>
Equity			
Equity attributable to owners of the Company			
Share capital/Paid-in capital	23	652,848	50,000
Other reserves	(Note (a))	6,006,319	25,000
Retained earnings	(Note (a))	509,647	397,089
Total equity		<u>7,168,814</u>	<u>472,089</u>
Liabilities			
Non-current liabilities			
Borrowings	26	–	1,145,000
Lease liabilities	27	2,062	2,143
Deferred income tax liabilities		676	942
		<u>2,738</u>	<u>1,148,085</u>
Current liabilities			
Trade and bill and other payables	25	797,966	1,339,739
Borrowings	26	–	685,000
Lease liabilities	27	1,268	1,163
Contract liabilities	6(a)	363,593	280,088
Current income tax liabilities		59,751	58,623
		<u>1,222,578</u>	<u>2,364,613</u>
Total liabilities		<u>1,225,316</u>	<u>3,512,698</u>
Total equity and liabilities		<u>8,394,130</u>	<u>3,984,787</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Capital reserves <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Total other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total reserves <i>RMB'000</i>
Balance at January 1, 2019	52,550	25,000	77,550	199,948	277,498
Profit for the year	–	–	–	343,793	343,793
Deemed distributions to the shareholders of the Company	(52,550)	–	(52,550)	–	(52,550)
Dividend declared to shareholders of the Company	–	–	–	(146,652)	(146,652)
Balance at December 31, 2019	–	25,000	25,000	397,089	422,089
Balance at January 1, 2020	–	25,000	25,000	397,089	422,089
Profit for the year	–	–	–	569,818	569,818
Transfer from reserves to share capital (Note 23(a))	19,805	(25,000)	(5,195)	(400,278)	(405,473)
Capital contribution from owners (Note 23(b))	433,525	–	433,525	–	433,525
Issue of shares in connection with the Listing (Note 23(c))	5,496,007	–	5,496,007	–	5,496,007
Appropriation of statutory reserves (Note 24(a))	–	56,982	56,982	(56,982)	–
Balance at December 31, 2020	5,949,337	56,982	6,006,319	509,647	6,515,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 DIRECTORS' AND SUPERVISORS' BENEFITS AND INTERESTS

(a) Directors' and supervisors' emoluments

The directors and supervisors received emoluments from the Group for the year ended December 31, 2020 as follows:

Name	Fees <i>RMB'000</i>	Salaries <i>RMB'000</i>	Bonuses <i>RMB'000</i>	Housing allowance <i>RMB'000</i>	Employer's contribution to a retirement benefit scheme <i>RMB'000</i>	Other allowance and benefits in kind <i>RMB'000</i>	Total <i>RMB'000</i>
Executive Directors							
Mr. Xia Shaofei (Note (i) (vi))	30	1,159	2334	24	32	23	3,602
Mr. Luo Chuansong (Note (i) (vi))	30	723	1256	24	32	23	2,088
Mr. Xu Guofu (Note (ii) (vi))	30	371	680	13	16	12	1,122
Non-executive Directors							
Mr. Luo Licheng (Note (iii))	30	–	–	–	–	–	30
Mr. Liang Zhongtai (Note (iii))	30	–	–	–	–	–	30
Mr. Linnan (Note (iii))	30	–	–	–	–	–	30
Independent non-executive directors							
Mr. Cao Guohua (Note (iv))	40	–	–	–	–	–	40
Mr. Chan Chi Fung (Note (iv))	40	–	–	–	–	–	40
Ms. Yuan Lin (Note (iv))	40	–	–	–	–	–	40
Supervisors							
Mr. Yuyong (Note (v))	20	622	1132	24	32	23	1,853
Mr. Hanchong (Note (v))	20	–	–	–	–	–	20
Ms. Ren Wenjuan (Note (v))	20	188	165	13	19	14	419
	<u>360</u>	<u>3,063</u>	<u>5,567</u>	<u>98</u>	<u>131</u>	<u>95</u>	<u>9,314</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 DIRECTORS' AND SUPERVISORS' BENEFITS AND INTERESTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

The directors and supervisors received emoluments from the Group (in their role as senior management and employee before their appointment as directors and supervisors respectively) for the year ended December 31, 2019 as follows:

Name	Fees <i>RMB'000</i>	Salaries <i>RMB'000</i>	Bonuses <i>RMB'000</i>	Housing allowance <i>RMB'000</i>	Employer's	Other	Total <i>RMB'000</i>
					contributions to a retirement benefit scheme <i>RMB'000</i>	allowance and benefits in kind <i>RMB'000</i>	
Executive Directors							
Mr. Xia Shaofei (Note (i) (vi))	–	521	1,788	12	16	12	2,349
Mr. Luo Chuansong (Note (i) (vi))	–	355	1,220	12	16	12	1,615
Supervisors							
Mr. Yuyong (Note (v))	–	302	1,020	12	16	12	1,362
Ms. Ren Wenjuan (Note (v))	–	156	288	12	19	14	489
	–	1,334	4,316	48	67	50	5,815

- (i) Mr. Xia Shaofei and Mr. Luo Chuansong were appointed as executive directors of the Company in August, 2014.
- (ii) The executive director, Mr. Xu Guofu was appointed as a director of the Company on May 25, 2020.
- (iii) The non-executive directors, Mr. Luo Licheng, Mr. Liang Zhongtai and Mr. Linnan were appointed as directors of the Company on May 25, 2020.
- (iv) The independent non-executive directors, Mr. Cao Guohua, Mr. Chan Chi Fung, Ms. Yuan Lin were appointed as directors of Jinke Property Services on October 27, 2020.
- (v) The supervisors, Mr. Yuyong, Mr. Hanchong and Ms. Ren Wenjuan were appointed as supervisors of Jinke Property Services on May 25, 2020.
- (vi) Mr. Xia Shaofei, Mr. Luo Chuansong, Mr. Xu Guofu, Mr. Luo Licheng and Mr. Liang Zhongtai were granted share award from Jinke Property in relation to their service rendered for Jinke Property Group. The emoluments were not allocated to the Group as the management considers there is no reasonable basis of allocation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 DIRECTORS' AND SUPERVISORS' BENEFITS AND INTERESTS *(Continued)*

(b) Directors' retirement benefits and termination benefits

There were no retirement benefits was paid to or receivable by directors during the year ended December 31, 2020 by defined benefit pension plans operated by the Group and there were no director's termination benefits subsisted during the year ended December 31, 2020 (2019: nil).

(c) Consideration provided to third parties for making available directors' services

There was no consideration provided to third parties for making available directors' services subsisted during the year ended December 31, 2020 (2019: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted during the year ended December 31, 2020 (2019: nil).

(e) Directors' material interests in transactions, arrangements or contracts

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the year ended December 31, 2020 (2019: nil).

36 EVENT AFTER THE BALANCE SHEET DATE

Save as disclosed in this report, there are no material subsequent event undertaken by the Company or by the Group.

FOUR-YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			
	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)
Revenue	3,358,944	2,327,657	1,523,886	1,047,041
Cost of sales	(2,361,590)	(1,691,979)	(1,133,053)	(766,495)
Gross profit	997,354	635,678	390,833	280,546
Selling and marketing expenses	(1,672)	(3,021)	(3,618)	(1,729)
Administrative expenses	(237,984)	(233,390)	(185,815)	(148,002)
Net impairment losses on financial assets	(8,222)	(4,018)	(1,007)	(344)
Other income	47,819	52,146	3,330	3,433
Other gains/(losses) – net	(37,269)	1,948	(597)	37
Operating profit	760,026	449,343	203,126	133,941
Finance income	85,362	160,731	156,188	109,731
Finance cost	(76,988)	(159,962)	(161,658)	(107,439)
Finance income/(cost) – net	8,374	769	(5,470)	2,292
Profit before income tax	767,555	450,112	197,656	136,233
Income tax expenses	(134,360)	(75,728)	(33,730)	(22,541)
Profit and total comprehensive income for the year	633,195	374,384	163,926	113,692
Profit and total comprehensive income attributable to:				
– Owner of the Company	617,594	366,452	161,776	113,551
– Non-controlling interests	15,601	7,932	2,150	141
	633,195	374,384	163,926	113,692
Earnings per share (expressed in RMB per share)				
– Basic and diluted earnings per share	1.24	0.80	N/A	N/A

FOUR-YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			
	2020	2019	2018	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Assets				
Non-current assets	60,178	1,191,346	1,874,993	816,361
Current assets	<u>8,492,065</u>	<u>2,902,547</u>	<u>2,250,525</u>	<u>1,673,608</u>
Total assets	<u><u>8,552,243</u></u>	<u><u>4,093,893</u></u>	<u><u>4,125,518</u></u>	<u><u>2,489,969</u></u>
Equity				
Equity attributable to owners of the Company	7,214,152	482,700	315,450	250,425
Non-controlling interests	<u>38,311</u>	<u>22,295</u>	<u>10,477</u>	<u>4,622</u>
Total equity	<u>7,252,463</u>	<u>504,995</u>	<u>325,927</u>	<u>255,047</u>
Liabilities				
Non-current liabilities	4,361	1,148,468	1,833,980	781,375
Current liabilities	<u>1,295,419</u>	<u>2,440,430</u>	<u>1,965,611</u>	<u>1,453,547</u>
Total liabilities	<u>1,299,780</u>	<u>3,588,898</u>	<u>3,799,591</u>	<u>2,234,922</u>
Total equity and liabilities	<u><u>8,552,243</u></u>	<u><u>4,093,893</u></u>	<u><u>4,125,518</u></u>	<u><u>2,489,969</u></u>

GLOSSARY AND DEFINITION

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

“2017 Employee Stock Ownership Plan”	the employee stock ownership plan approved by Jinke Property in January 2017
“2020 AGM”	the annual general meeting of the Company for 2020 to be convened and held on Tuesday, 25 May 2021
“2020 Employee Stock Ownership Plan”	the employee stock ownership plan adopted by the Company on 7 April 2020
“Articles of Association” or “Articles”	the articles of association of the Company
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Deed of Non-Competition”	the deed of non-competition dated 29 October 2020 and executed by the Controlling Shareholder in favor of the Company, details of which are set out in “Relationship with Our Controlling Shareholder – Deed of Non-competition” in the Prospectus
“Director(s)”	the director(s) of the Company
“Domestic Shares”	the ordinary shares in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Final Dividend”	the final dividend of RMB0.5 per Share (before tax) as proposed by the Board for the year ended 31 December 2020
“GFA”	gross floor area

GLOSSARY AND DEFINITION

“Group”	the Company and its subsidiaries
“H Share Registrar”	Tricor Investor Services Limited
“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 Administrative Region of the PRC
“Independent Third Party(ies)”	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
“Nomination Committee”	the nomination committee of the Board
“Over-allotment Option”	the option granted by the Company to allot and issue up to 19,936,700 additional H Shares in connection with the global offering of the Company as disclosed in the Prospectus
“Prospectus”	the prospectus of the Company dated 5 November 2020

GLOSSARY AND DEFINITION

“Remuneration Committee”	the remuneration committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“sq.m.”	square meter(s)
“USA”	the United States of America
“Year”	the year ended 31 December 2020
“%”	per cent

* for identification purpose only

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