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TIMES NEIGHBORHOOD HOLDINGS LIMITED

時代鄰里控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9928)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS HIGHLIGHTS

- Revenue for the Period amounted to approximately RMB702.0 million, representing an increase of 54.0% as compared with the corresponding period in 2019.
- Gross profit for the Period amounted to approximately RMB199.1 million, representing an increase of 62.4% as compared with the corresponding period in 2019.
- The core net profit (excluding listing expenses) attributable to owners of the parent for the Period amounted to RMB84.2 million, representing an increase of 76.2% as compared with the corresponding period in 2019.
- The basic and diluted earnings per share for the Period were RMB9 cents, representing an increase of 50.0% as compared with the corresponding period in 2019.
- As at 30 June 2020, the total contracted GFA (including municipal sanitation projects and urban public service projects) amounted to approximately 105.9 million sq.m., representing an increase of approximately 82.6% as compared to approximately 58.0 million sq.m. as at 31 December 2019.

RESULTS

The board (the “Board”) of directors (the “Directors”) of Times Neighborhood Holdings Limited (the “Company” or “we” or “Times Neighborhood”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Period”), together with the comparative figures for the corresponding period in 2019, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended	
		30 June	
	Notes	2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Audited)
REVENUE	5	701,952	455,719
Cost of sales		<u>(502,853)</u>	<u>(333,165)</u>
GROSS PROFIT		199,099	122,554
Other income and gains		9,348	2,305
Selling and marketing costs		(7,242)	(4,655)
Administrative expenses		(70,273)	(48,194)
Impairment losses on financial assets		(1,191)	(2,992)
Other expenses		(2,087)	(7,446)
Finance costs, net	7	(10,128)	(6,006)
Share of profit of an associate		<u>1,295</u>	<u>1,242</u>
PROFIT BEFORE TAX	6	118,821	56,808
Income tax expense	8	<u>(34,575)</u>	<u>(14,963)</u>
PROFIT FOR THE PERIOD		<u>84,246</u>	<u>41,845</u>
Attributable to:			
Owners of the parent		84,174	42,214
Non-controlling interests		<u>72</u>	<u>(369)</u>
		<u>84,246</u>	<u>41,845</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	<u>RMB9 cents</u>	<u>RMB6 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Audited)
PROFIT FOR THE PERIOD	84,246	41,845
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	<u>14,364</u>	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(6,294)</u>	(4)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>8,070</u>	(4)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>92,316</u>	41,841
Attributable to:		
Owners of the parent	92,244	42,210
Non-controlling interests	<u>72</u>	<u>(369)</u>
	<u>92,316</u>	41,841

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		43,103	35,463
Right-of-use assets		11,491	8,825
Goodwill		84,010	68,841
Other intangible assets		43,970	33,740
Investment in an associate		63,540	70,522
Deferred tax assets		22,775	21,340
Prepayments, deposits and other receivables		13,462	5,320
Total non-current assets		282,351	244,051
CURRENT ASSETS			
Inventories		2,526	3,763
Trade receivables	11	351,761	213,482
Contract assets		15,317	16,524
Prepayments, deposits and other receivables		63,238	48,375
Restricted bank deposits		3,250	3,540
Cash and cash equivalents		976,237	971,207
Total current assets		1,412,329	1,256,891
CURRENT LIABILITIES			
Trade payables	12	185,854	122,129
Other payables and accruals		306,330	242,862
Contract liabilities		165,206	173,614
Lease liabilities		8,902	5,557
Tax payables		41,895	39,824
Government grants		200	200
Total current liabilities		708,387	584,186
NET CURRENT ASSETS		703,942	672,705
TOTAL ASSETS LESS CURRENT LIABILITIES		986,293	916,756

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2020

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	986,293	916,756
NON-CURRENT LIABILITIES		
Lease liabilities	14,848	11,900
Government grants	250	350
Deferred tax liabilities	9,634	5,275
Total non-current liabilities	24,732	17,525
Net assets	961,561	899,231
EQUITY		
Equity attributable to owners of the parent		
Share capital	8,170	8,170
Reserves	950,080	887,822
	958,250	895,992
Non-controlling interests	3,311	3,239
Total equity	961,561	899,231

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. CORPORATE AND GROUP INFORMATION

Times Neighborhood Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 12 July 2019. The registered office address of the Company is 71 Fort Street, PO Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2020, the Company and its subsidiaries (together, the “Group”) were involved in the provision of property management and other relevant services in the People’s Republic of China (the “PRC”).

The Company’s shares was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 December 2019 (the “Listing”).

In the opinion of the Directors, the immediate holding company of the Company is Asiaciti Enterprises Ltd., which was incorporated in the British Virgin Islands (“BVI”), and the ultimate holding company is Renowned Brand Investments Limited, which was incorporated in the BVI.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In preparing for the initial listing of the shares of the Company on the Stock Exchange, the companies now comprising the Group underwent a group reorganisation as described in the annual report of the Group for the year ended 31 December 2019 (the “Group Reorganisation”). For the details of the principle steps of the Group Reorganisation, please refer to the annual report of the Group for the year ended 31 December 2019.

The Group Reorganisation was completed on 2 August 2019. The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2019 have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the six months period ended 30 June 2019 or since their respective dates of incorporation/establishment/acquisition, where applicable.

The interim condensed consolidated financial information for the six months ended 30 June 2020 (the “Interim Financial Information”) has been prepared in accordance with IAS 34 Interim Financial Reporting.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new and revised International Financial Reporting Standards (the “IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The adoption of the above new and revised standards has had no significant financial effect on the Interim Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in the provision of property management services, value-added services to non-property owners, community value-added services and professional services. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

No geographical information is presented as the Group's revenue from external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

For the six months ended 30 June 2020, revenue from Times China Holdings Limited and its subsidiaries (the "Times China Group") contributed 23.7% (for the six months ended 30 June 2019: 26.8%) of the Group's revenue. Other than the revenue from Times China Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the six months ended 30 June 2020 and 30 June 2019.

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

Disaggregated revenue information

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Services transferred over time:		
Property management services	424,631	295,828
Value-added services to non-property owners	191,589	116,985
Community value-added services	33,841	31,158
Professional services	36,403	10,599
	686,464	454,570
Goods transferred at a point in time:		
Community value-added services	10,904	408
Professional services	4,584	741
	15,488	1,149
	701,952	455,719

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of services provided*	492,356	332,590
Cost of inventories sold	10,497	575
Depreciation of property, plant and equipment	4,851	3,175
Depreciation of right-of-use assets	2,794	1,661
Amortisation of other intangible assets	3,981	2,058
Research and development costs:		
Current period expenditure	675	12
Auditor's remuneration	900	300
Employee benefit expense (excluding Directors' and chief executive's remuneration):		
Wages and salaries	323,852	232,088
Pension scheme contributions	14,970	22,872
Less: Amount capitalised in other intangible assets	(3,476)	(1,495)
	335,346	253,465
Impairment losses on financial assets:		
– Trade receivables	1,191	2,992
Rental expense		
– Short-term leases	5,597	4,827
– Leases of low-value assets	211	114
	5,808	4,941
Bank interest income	(3,001)	(514)
Government grants	(740)	(100)
Foreign exchange losses/(gains), net	26	(26)
Gain on disposals of financial assets at fair value through profit or loss	(2,882)	(1,263)

* Cost of services provided for the Period included an aggregate amount of RMB302,519,000 (six months ended 30 June 2019: RMB231,321,000) which comprised employee benefit expense, depreciation of property, plant and equipment, amortisation of other intangible assets and rental expense. This amount was also included in the respective expense items disclosed above.

7. FINANCE COSTS, NET

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Finance expense:		
Interest expense on lease liabilities	597	460
Interest expense arising from revenue contracts	9,531	5,601
Other interest expense	–	167
Interest expense of asset-backed securities	–	55,847
	<u>10,128</u>	<u>62,075</u>
Finance income:		
Interest income on a finance lease	–	(222)
Interest income from a loan granted to a related party	–	(55,847)
	<u>–</u>	<u>(56,069)</u>
Finance costs, net	<u>10,128</u>	<u>6,006</u>

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the entities of the Group which were incorporated in the Cayman Islands and BVI are not subject to any income tax. The Group was not liable for income tax in Hong Kong as the Group did not have any assessable profits arising in Hong Kong during the Period.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax (“CIT”) rate of 25% for the Period. Certain subsidiaries of the Group operating in Mainland China enjoyed a preferential CIT rate of 15% or 20% during the Period.

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Current income tax	33,617	18,250
Deferred income tax	958	(3,287)
	<u>34,575</u>	<u>14,963</u>

9. DIVIDENDS

The proposed 2019 final dividend of RMB3.3 cents per share, totaling RMB29,986,000, was approved by the Company's shareholders at the annual general meeting on 15 May 2020. It was recorded in "other payables and accruals" in the interim condensed consolidated statement of financial position and was subsequently distributed in July 2020.

No interim dividend was proposed during the Period (six months ended 30 June 2019: nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB84,174,000 (six months ended 30 June 2019: RMB42,214,000), and the weighted average number of ordinary shares of 908,673,000 (six months ended 30 June 2019: 746,853,000) in issue during the Period. The weighted average number of ordinary shares for the six months ended 30 June 2019 has been adjusted on the assumption that the Group Reorganisation and capitalisation issue had been effective on 1 January 2019.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2020 and 2019, respectively.

11. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Related parties	195,672	112,280
Third parties	170,569	114,542
	366,241	226,822
Impairment	(14,480)	(13,340)
	351,761	213,482

An ageing analysis of the trade receivables as at the end of the Period, based on the demand note date and net of loss allowance, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Within 1 year	333,212	194,038
1 to 2 years	12,775	13,948
2 to 3 years	4,381	3,925
3 to 4 years	1,082	1,313
4 to 5 years	311	258
	<u>351,761</u>	<u>213,482</u>

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Period, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Less than 1 year	152,072	114,913
Over 1 year	33,782	7,216
	<u>185,854</u>	<u>122,129</u>

Trade payables are unsecured and non-interest-bearing and are normally settled based on terms of 60 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Times Neighborhood is China's leading and fast-growing comprehensive property management service provider. It is mainly engaged in property management services, value-added services to non-property owners, community value-added services and other professional services. We strive to provide more services and create more value for property owners and customers through diversified business ecology planning. We adhere to the philosophy of “impressing customers with quality and warming customers with services (品質讓客戶驚喜，服務讓客戶感動)” and have always been committed to “let more people enjoy a better life (讓更多人享受美好生活)”. In the first half of 2020, with its service quality and brand reputation tested in markets, the Group was recognized by China Index Academy (“CIA”) as the 12th in the Top 100 Property Management Companies in Terms of Overall Strength in the PRC, and successively ranked among “Top 10 Listed Property Management Companies in China in Terms of Overall Strength (中國上市物業服務企業綜合實力TOP10)”, “Top 5 Listed Property Management Enterprises with Investment Value in China (中國上市物業服務投資價值優秀企業TOP5)” and “China's Leading Enterprises in Urban Property Management (中國城市物業服務領先企業)”, and was recognized by CIA as one of the “China Leading Property Management Companies in terms of Characteristic Services – Quality Characteristic Services (中國特色物業服務領先企業 – 品質特色服務)”.

As an enterprise deeply rooted in the Guangdong-Hong Kong-Macao Greater Bay Area (the “Greater Bay Area”), Times Neighborhood focused on its development strategy of “Being deeply rooted in the Greater Bay Area, Expanding its presence into the whole China, and Accelerating diversified businesses” (深耕大灣區，面向全國，加速多元化業務佈局), and actively expanded its presence into such areas as Suzhou, Chongqing, Wuhan, Chengdu, Nanjing, Zhengzhou, Ningbo, Shenyang, Wuxi, Huzhou, Langfang and Nanning. At the same time, the Group has made sound progress in obtaining third-party development projects of higher quality. In terms of business expansion, the scale of our management increased rapidly in the first half of 2020. As of 30 June 2020, we had a total of 309 projects (including 6 municipal sanitation projects and 5 urban public service projects) under management, with a total contracted GFA of approximately 105.9 million sq.m. and a total GFA under management of approximately 79 million sq.m.. Among them, there are 298 property management service projects under management with a GFA under property management of approximately 48.4 million sq.m., 6 municipal sanitation projects with a GFA under management of approximately 8.3 million sq.m., and 5 urban public service projects with a GFA under management of approximately 22.3 million sq.m.. In the first half of 2020, the newly increased of the GFA of third-party development projects under the management of the Group (including municipal sanitation projects and urban public service projects) was approximately 32.0 million sq.m. (excluding terminated projects).

In the first half of 2020, the Group successfully acquired Guangzhou Haoqing Property Management Co., Ltd. (廣州市浩晴物業管理有限公司) (“Guangzhou Haoqing”) and Guangzhou Yaocheng Property Management Co., Ltd. (廣州市耀城物業管理有限公司) (“Guangzhou Yaocheng”), and entered into an equity transfer agreement for the acquisition of 51% equity interest of Shanghai Kejian Property Services Co., Ltd. (上海科箭物業服務有限公司) (“Shanghai Kejian”), thus broadening the management scale, stabilizing our position in the field of public buildings industry and entering the field of industrial logistics real estate property management. The Group is committed to continuously enriching the forms of its property management services, realizing the steady development of the forms of projects under management, expanding the scope of service and sources of revenue of the Group, bringing about new market business opportunities for the Group, helping gradually develop the Group into a comprehensive property management service provider oriented towards urban services.

In terms of intelligent property development, we have also made a series of attempts. In the first half of 2020, Times Neighborhood strategically cooperated with Alibaba and Guangdong Mobile in establishing “5G+Future Joint Lab for the Community” to jointly explore the way of future community construction. Through the application of various advanced technologies, such as Internet of Things, cloud computing and artificial intelligent computing, our nationwide integrated management and control platform was optimized and upgraded, thus improving our service quality and efficiency. Through its wholly-owned subsidiary Guangzhou Neighborhood Intelligent Engineering Co., Ltd., the Group integrated platform development, sales agency, construction and installation, and after-sales maintenance, with a focus on the development in three main sectors, namely smart car park, smart monitoring, and smart door lock. During the Period, the Group completed 70 projects for the remote management and control transformation of smart car parks, and 30 projects for national smart management and control access, and made continuous efforts to reduce costs and improve efficiency as well as improved the overall level of intelligentization development.

Business Model

Our main business includes property management services, value-added services to non-property owners, community value-added services and other professional services, comprehensively covering the entire property management value chain.

Property Management Services

As of 30 June 2020, our property management services under management has covered 17 cities, with a total of 298 property management projects (excluding 6 municipal sanitation projects and 5 urban public service projects), and a GFA under property management of approximately 48.4 million sq.m.. In addition, we had a total of 285 contracted property management projects which had not been handed over to us for management, with undelivered GFA of approximately 26.9 million sq.m.. Leveraging on the good quality and market reputation, we have expanded to cities including Suzhou, Chongqing, Wuhan, Chengdu, Nanjing, Zhengzhou, Ningbo, Shenyang, Wuxi, Huzhou, Langfang and Nanning.

In the first half of 2020, we rapidly expanded our property management services portfolio and increased our business scale and market share and diversified our business scope through organic expansion and strategic acquisition and investment opportunities.

The table below sets forth the movements of our contracted GFA under property management and GFA under management as of the dates indicated:

	30 June 2020		30 June 2019	
	Contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)	Contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)
At the beginning of the period	49,293	38,429	27,707	18,770
New engagements ⁽¹⁾	5,303	5,482	3,578	2,205
Acquisitions ⁽²⁾	21,969	5,747	13,760	13,760
Terminations ⁽³⁾	(1,305)	(1,305)	(57)	(57)
At the end of the period	<u>75,260</u>	<u>48,353</u>	<u>44,988</u>	<u>34,678</u>

Notes:

- (1) In relation to residential communities and non-residential communities we manage, new engagements primarily include preliminary property management service contracts for new properties developed by property developers and property management service contracts for non-residential communities replacing their previous property management service providers.
- (2) These refer to engagements obtained through our acquisitions of Guangzhou Haoqing and Guangzhou Yaocheng, and the signing of an equity transfer agreement for the acquisition of 51% equity interest in Shanghai Kejian in the first half of 2020.
- (3) These terminations include our voluntary non-renewal of certain property management service contracts. We reallocated our resources to more profitable engagements in an effort to optimize our property management portfolio.

Our Geographic Presence

The table below sets forth our contracted GFA under property management and GFA under management by regions as of the dates indicated:

	As at 30 June 2020		As at 31 December 2019	
	Contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)	Contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)
Greater Bay Area				
Guangzhou	18,367	16,590	15,218	13,710
Foshan	9,672	8,478	8,733	7,819
Zhuhai	4,615	4,367	4,465	4,121
Zhongshan	4,207	3,739	2,141	1,314
Dongguan	2,319	1,686	1,762	1,500
Zhaoqing	4,167	3,356	3,618	3,050
Huizhou	1,172	387	730	91
Jiangmen	2,519	2,055	1,140	712
Shenzhen	139	139	139	–
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Subtotal	47,177	40,797	37,946	32,317
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	As at 30 June 2020		As at 31 December 2019	
	Contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)	Contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)
Other regions in China except the Greater Bay Area				
Central and Southern China ⁽¹⁾	14,193	6,977	10,680	5,533
East China ⁽²⁾	10,201	-	-	-
North China ⁽³⁾	1,711	579	579	579
Southwest China ⁽⁴⁾	1,671	-	88	-
Northeast China ⁽⁵⁾	210	-	-	-
Northwest China ⁽⁶⁾	97	-	-	-
Subtotal	28,083	7,556	11,347	6,112
Total	75,260	48,353	49,293	38,429

Notes:

- (1) Central and Southern China includes: Henan Province, Hubei Province, Hunan Province, Guangdong Province (excluding cities in the Greater Bay Area) and Guangxi Zhuang Autonomous Region;
- (2) East China includes: Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province and Jiangxi Province;
- (3) North China includes: Beijing, Tianjin and Hebei Province;
- (4) Southwest China includes: Sichuan Province, Guizhou Province, Yunnan Province and Chongqing;
- (5) Northeast China includes: Liaoning Province;
- (6) Northwest China includes: Shaanxi Province.

The Group has been deeply rooted in the Greater Bay Area for more than 20 years and has continuously expanded the scope of property management in the Greater Bay Area, further consolidating its competitive advantage in the area. As of 30 June 2020, among the Group's projects under property management, the projects with the management area of approximately 40.8 million sq.m. were located in the Greater Bay Area, accounting for 84.3% of the GFA under property management. With our successful management experience in the Greater Bay Area and word of mouth in the market, we achieved rapid expansion in other cities. During the first half of 2020, the addition to the contracted GFA under property management of the Group was approximately 27.3 million sq.m., of which approximately 11.1 million sq.m. was the addition to the contracted GFA in the projects in the Greater Bay Area and approximately 16.2 million sq.m. was the addition to the contracted GFA in the projects in other cities (excluding terminated projects).

Portfolio of Properties under Management

We manage a diversified portfolio of properties, and in addition to residential properties, we also place an increasingly focus on non-residential properties, such as commercial properties and office buildings, government buildings, industry parks, public facilities, hospitals, airports and schools, to diversify the project types of our service offerings and make them balanced.

The table below sets forth a breakdown of our GFA under property management as of the dates indicated and revenue generated from property management services for the periods indicated by type of property:

	For the six months ended 30 June							
	2020				2019			
	GFA under management (sq.m.'000)	Percentage %	Revenue (RMB '000)	Percentage %	GFA under management (sq.m.'000)	Percentage %	Revenue (RMB '000)	Percentage %
Residential properties	19,647	40.6	237,224	55.9	12,956	37.4	184,016	62.2
Non-residential properties	28,706	59.4	187,407	44.1	21,722	62.6	111,812	37.8
Total	<u>48,353</u>	<u>100.0</u>	<u>424,631</u>	<u>100.0</u>	<u>34,678</u>	<u>100.0</u>	<u>295,828</u>	<u>100.0</u>

As a result of our continuous efforts to expand our customer base and to diversify our portfolio of properties under management, our GFA under property management for non-residential properties increased from approximately 21.7 million sq.m. as of 30 June 2019 to approximately 28.7 million sq.m. as of 30 June 2020, and the proportion of our revenue generated from managing non-residential properties to our total revenue generated from property management services increased from 37.8% in the first half of 2019 to 44.1% in the first half of 2020. We believe that the experience and recognition we have gained from managing such diversified non-residential properties will enable us to further expand our portfolio of properties under management, grow our customer base and create diversified sources of financial growth.

Nature of Developers Served

While benefiting from the rapid growth of Times China Group's real estate development business, we also stepped up our expansion into independent third-party markets. Leveraging on our high quality services, our professional service team and our renowned reputation, we have achieved a rapid growth in terms of GFA obtained from the expansion of third-party markets.

The following table sets forth a breakdown of our GFA under property management as of the dates indicated and revenue generated from property management services by property developer for the periods indicated:

	For the six months ended 30 June							
	2020				2019			
	GFA under management (sq.m.'000)	Percentage %	Revenue (RMB '000)	Percentage %	GFA under management (sq.m.'000)	Percentage %	Revenue (RMB '000)	Percentage %
Times China Group ⁽¹⁾	19,655	40.6	226,805	53.4	15,279	44.1	191,969	64.9
Third-party property developers ⁽²⁾	28,698	59.4	197,826	46.6	19,399	55.9	103,859	35.1
Total	48,353	100.0	424,631	100.0	34,678	100.0	295,828	100.0

Notes:

- (1) Includes properties solely developed by Times China Group and properties that Times China Group jointly developed with other property developers for which properties Times China Group held a controlling interest.
- (2) Includes properties solely developed by third-party property developers independent from Times China Group, as well as properties jointly developed by Times China Group and other property developers for which Times China Group did not hold a controlling interest. Properties developed by third-party property developers also include government-owned buildings and other public properties, which are constructed by third-party construction companies.

The percentage of GFA under property management for properties developed by third-party property developers grew from 55.9% as of 30 June 2019 to 59.4% as of 30 June 2020. The revenue generated from managing properties developed by third-party property developers increased from RMB103.9 million in the first half of 2019 to RMB197.8 million in the first half of 2020. Such growth is mainly due to our strategic acquisitions and the business cooperation with third parties.

Value-added Services to Non-property Owners

We offer a broad range of property related business solutions to non-property owners, primarily property developers, which cover their entire property development process, consisting of (i) sales assistance services, which assist property developers in showcasing and marketing their properties, including pre-sale consultation, display unit management, organizing sales campaigns as well as visitor reception for property development projects, (ii) construction site services, including consultancy and security services, (iii) housing agency services for residences, shops and parking spaces, (iv) pre-delivery cleaning services, and (v) urban redevelopment project services. During the first half of 2020, the revenue derived from value-added services to non-property owners increased significantly by 63.8% to approximately RMB191.6 million from RMB117.0 million in the same period of 2019, primarily due to the substantial increase in the revenue of sales assistance services and pre-delivery cleaning services.

The table below sets forth the breakdown of revenue derived from value-added services to non-property owners for the periods indicated:

	For the six months ended 30 June			
	2020		2019	
	Revenue (RMB '000)	Percentage %	Revenue (RMB '000)	Percentage %
Sales assistance services	116,236	60.7	84,027	71.9
Construction site services	19,565	10.2	20,979	17.9
Housing agency services	10,686	5.6	–	–
Pre-delivery cleaning services	28,602	14.9	11,979	10.2
Urban redevelopment project services	16,500	8.6	–	–
Total	<u>191,589</u>	<u>100.0</u>	<u>116,985</u>	<u>100.0</u>

As of 30 June 2020, we provided property management and value-added services for 17 urban redevelopment projects, including services such as cleaning, security, operation management and tenant management. The urban redevelopment projects not only enrich our source of income, but also bring us more project reserves and the possibility of diversifying value-added businesses.

Community Value-added Services

As an extension of property management services, in order to satisfy the property owners and residents' pursuit of convenience, enhance customers' experience and increase their loyalty, we provide a wide range of services in two categories, namely, public space leasing and parking space management and resident services. Our resident services mainly include featured butler services, community shopping, operation management, repair and maintenance of home appliances and event organization services.

The table below sets forth the breakdown of revenue derived from community value-added services for the periods indicated:

	For the six months ended 30 June			
	2020		2019	
	Revenue (RMB '000)	Percentage %	Revenue (RMB '000)	Percentage %
Public space leasing and parking space management	26,886	60.1	23,737	75.2
Resident services	17,859	39.9	7,829	24.8
Total	<u>44,745</u>	<u>100.0</u>	<u>31,566</u>	<u>100.0</u>

During the first half of 2020, the revenue from community value-added services increased by 41.5% to approximately RMB44.7 million as compared with RMB31.6 million for the corresponding period in 2019, which was mainly due to the expansion of our GFA under property management, the substantial increase in the number of users served and the increasing diversification of resident services business types.

Other Professional Services

We provide other professional services to our customers, including (i) elevator services (including sale, installation, repair and maintenance of elevators), (ii) municipal sanitation services, (iii) intelligent engineering services and (iv) urban public services.

The table below sets forth the breakdown of revenue derived from other professional services for the periods indicated:

	For the six months ended 30 June			
	2020		2019	
	Revenue (RMB '000)	Percentage %	Revenue (RMB '000)	Percentage %
Elevator services	9,354	22.8	4,383	38.7
Municipal sanitation services	10,076	24.6	4,919	43.3
Intelligent engineering services	12,850	31.4	2,038	18.0
Urban public services	8,707	21.2	–	–
Total	<u>40,987</u>	<u>100.0</u>	<u>11,340</u>	<u>100.0</u>

We entered the field of municipal sanitation services through the strategic acquisition of Guangzhou Dongkang Property Services Co., Ltd., providing environment cleaning, domestic waste collection, disposal and comprehensive utilization services to municipal facilities including public roads, garbage stations and parks. As of 30 June 2020, 6 municipal sanitation projects under our management were all located in the Greater Bay Area with the management area of approximately 8.3 million sq.m..

In the first half of 2020, we developed urban public services projects, providing services such as security patrol, integrated management of construction site and comprehensive cleaning for these projects. As of 30 June 2020, 5 urban public services projects under our management were all located in the Greater Bay Area with the management area of approximately 22.3 million sq.m..

INDUSTRY REVIEW

In the first half of 2020, scale expansion remained the core development strategy of property management enterprises. In addition to actively striving for advantages in development, cooperation and arrangement, and continuously expanding the management area, property management enterprises further accelerated the pace of acquisition and merger to speed up the scale expansion by more diversified means of exogenous expansion. By seeking opportunities of cooperation with real estate developers and potential acquisition opportunities, leading enterprises in the industry actively entered the field of urban services, a blue ocean market, and continuously enriched the portfolio of forms of properties under management to drive the growth in the diversified sources of revenue, thus gaining more market share.

With more open policies, the industry developed towards a standardized and democratized trend. Since 2019, authorities in Shenzhen, Tianjin, Beijing, Shanghai and other regions have published the policies in relation to exploring the market-adjusted pricing for property service fees, in order to remove the limitation on the preliminary property service fee for ordinary residential communities and adopt the market-adjusted pricing. Promulgated in 2020, the Civil Code adjusts certain regulations on the property industry, lowering the threshold for property owners to make decisions on major issues in the community, and specifies a number of industry-related laws and regulations. Governments in various regions have also revised and improved policies and regulations related to property management. As a result, the development of the industry has become more regulated.

The industry can provide wider and more diversified services. The government work report at the “two sessions” for 2020 strengthens the construction of new urbanization, specifies the effort for the reconstruction of old communities, and proposes for the first time the development of diversified community services, thus bringing about new opportunities for the development of property management enterprises. With the continuous deepening of the reform of logistics socialization, all sectors of society advocate incorporating property management into the social governance system. Property service enterprises have explored the field of smart city operation services, and intelligentization, specialization and diversification have also become the development direction of enterprises. More and more property service companies increase their investment in scientific and technological innovation to improve service efficiency by scientific and technological means. They are committed to promoting the transformation of the property service industry from a labor-intensive industry to a service-intensive industry. They provide customers with a more considerate and pleasant service experience while improving profits and imagination.

At the beginning of 2020 when the COVID-19 broke out, property service enterprises actively shouldered social responsibilities, providing key community support in the lockdowns for epidemic prevention, at the frontline of fighting against the outbreak, and accelerated their exploration and development towards community value-added services. The outbreak also contributed to the “secondary value discovery” in the property service industry. With people’s greater demands for living environment and public health and safety, the market demand for high-quality property services persists. Following the trend, the property service industry moves from behind the scenes to the front, integrates into all aspects of social life and becomes an important part of building a better life.

PROSPECTS

Looking forward to the second half of 2020, the property management service industry will maintain a steady growth momentum. Listing, and scale and boundary expansion will still be the focus of the property management service industry. With the push of capital, it is expected that there will be more mergers and acquisitions in the second half of 2020, leading to higher industry concentration. For property management service enterprises, providing quality service remains the core work, while using science and technology to improve service quality, reduce costs and enhance efficiency is also the direction of efforts of an enterprise.

Further expanding the scale to make breakthroughs in industry areas and regions

We will accelerate the expansion of management scale to capture opportunities for short-term development. We will continue to be deeply rooted in the Greater Bay Area, and establish property management alliances with small and medium-sized developers to enhance the management density of regions. In East China, Central China, Southwest China and other regions with high economic growth, we will enhance the management density of existing regions and constantly develop new markets. In the meantime, we will further expand and optimize our marketing team, improve the Company's qualifications for various projects, and increase the acceptance rate of our tenders. In addition, we will make more active efforts in developing the property management market of public buildings, and continue to set competition barriers in segments, so as to achieve breakthroughs in the forms of our management business and further increase our market share.

Strategic arrangement for featured businesses and construction of business moat

We will make an attempt at pilot projects and project development in more fields and business forms, such as urban services and property management in old communities. In terms of urban services, we will take municipal sanitation as a breakthrough, and then gradually work on comprehensive services including public services and resource management. In terms of old communities, we will develop our operating capability through the installation of elevators and other service businesses.

Improvement in the service system and enhancement of brand awareness

Times Neighborhood has endeavored to conduct property management for all business forms, and has successfully entered the fields of residence, commercial office building, public building, school, hospital, urban service and logistics industry, etc. In order to achieve higher owner satisfaction and brand recognition, we intend to establish differentiated business lines and service systems in residential and non-residential areas. Based on the existing residential service brands, we will establish a new service brand in the non-residential field with high-standard and high-quality service standards. In addition, we are committed to enhancing our service capability and the satisfaction of property owners and customers, so as to create benchmark projects for various fields under management, thus enhancing our brand awareness and creating higher brand value.

Development of value-added services for characteristic communities and exploration of sustainable business models

We will actively explore the value-added service system which supports future growth of the Group. On the basis of maintaining customer stickiness and flow for high-frequency and low-value-added businesses, we will focus on developing low-frequency and high-net-worth businesses to generate more income and profits, establish a sustainable business model, gradually expand to more regions, and integrate other services including house renovation and degradation of formaldehyde.

2020 is the first year of Listing of Times Neighborhood. At the new starting point, Times Neighborhood will capitalize on the “window of opportunity” of high-quality development of national economy and the Greater Bay Area policy. It will deepen the strategic arrangement by taking advantages of the listing platform, focus on the development of property services, tap into diversified demand for property services, give play to the synergy among various business segments, promote its high-quality development, rapidly increase business scale and market share, and continuously consolidate the industry leading position of Times Neighborhood. We always adhere to the business philosophy of “impressing customers with quality and warming customers with services”. Based on four service principles, we will win the recognition of property owners, communities and the public, with our reliable and efficient services. We will keep growing and let more people enjoy a better life.

FINANCIAL REVIEW

Revenue

The Group’s revenue is mainly derived from property management services, value-added services to non-property owners, community value-added services and other professional services. The Group’s revenue increased by RMB246.3 million or 54.0% to RMB702.0 million for the six months ended 30 June 2020 from RMB455.7 million for the six months ended 30 June 2019, which was primarily attributable to the increase in our revenue from property management services and revenue from value-added services to non-property owners.

The table below sets forth the breakdown of revenue of the Group by operating segments for the periods indicated:

	For the six months ended 30 June			
	2020		2019	
Categories	<i>RMB in million</i>	<i>%</i>	<i>RMB in million</i>	<i>%</i>
Property management services	424.6	60.5	295.8	64.9
Value-added services to non-property owners	191.6	27.3	117.0	25.7
Community value-added services	44.8	6.4	31.6	6.9
Other professional services	41.0	5.8	11.3	2.5
Total	<u>702.0</u>	<u>100.0</u>	<u>455.7</u>	<u>100.0</u>

The property management services are still our largest source of revenue. As at 30 June 2020, the revenue from property management services was RMB424.6 million, accounting for 60.5% of the Group's total revenue. This increase in revenue was primarily driven by the fast growth of our GFA under management, which was resulted from both our continuous cooperation with Times China Group and our efforts to expand the third-party customer base. The increase in revenue from value-added services to non-property owners, community value-added services and other professional services was mainly due to the increasing demands for services resulting from the increase of property development projects, the increase of our management area and the number of users served and the increasing diversification of resident services business types, as well as the increase of service types, respectively.

Cost of Sales

Our cost of sales mainly consists of (i) labor costs; (ii) cleaning and gardening expenses; and (iii) maintenance costs, etc. For the six months ended 30 June 2020, the total cost of sales of the Group was approximately RMB502.9 million, which increased by approximately RMB169.7 million or approximately 50.9% as compared to approximately RMB333.2 million for the same period of 2019. The rate of increase in cost of sales was lower than that of our revenue, primarily due to the continuous operation of cost control and effective cost reduction.

Gross Profit and Gross Profit Margin

Based on the above reasons, the gross profit of the Group increased by RMB76.5 million or 62.4% to RMB199.1 million for the six months ended 30 June 2020 from RMB122.6 million for the six months ended 30 June 2019.

Gross profit margin of the Group by business lines was as follows:

	For the six months ended 30 June	
	2020 %	2019 %
Property management services	26.3	24.1
Value-added services to non-property owners	28.3	27.6
Community value-added services	55.5	53.6
Other professional services	20.5	19.1
Total gross profit margin	28.4	26.9

For the six months ended 30 June 2020, the gross profit margin of the Group increased by 1.5 percentage points as compared with the corresponding period last year, primarily due to the growth in the scale of property management services and the general increase in gross profit margin as a result of the improvement of the operation process.

Our gross profit margin of property management services increased by 2.2 percentage points, primarily due to our successful implementation of cost-control measures, such as further adopting technologies and automated equipment to replace manual labor. The Group has continuously promoted the construction of intelligent community and management system, which successfully reduced our cost and improved our efficiency.

Our gross profit margin of value-added services to non-property owners increased by 0.7 percentage point, primarily due to the more diversified service types we provided, such as the new housing agency services business in 2020.

Our gross profit margin of community value-added services increased by 1.9 percentage points, primarily due to the increase in operating revenue from the residential services with higher gross profit margin.

Our gross profit margin of other professional services increased by 1.4 percentage points, primarily due to the gradual expansion of the business scale and the more diversified service types we provided.

Other Income and Gains

The other income and gains of the Group increased by RMB7.0 million or 304.3% to RMB9.3 million for the six months ended 30 June 2020 from RMB2.3 million for the six months ended 30 June 2019, which was primarily attributable to the increase in gains from the disposals of financial assets at fair value through profit or loss.

Administrative Expenses

Administrative expenses mainly consist of (i) labor costs of the management personnel; (ii) office expenses; and (iii) depreciation and amortization, etc. For the six months ended 30 June 2020, the total administrative expenses of the Group were approximately RMB70.3 million, which increased by approximately RMB22.1 million or approximately 45.9% as compared to approximately RMB48.2 million for the six months ended 30 June 2019. Such increase was mainly incurred in the business expansion.

Other Expenses

The other expenses of the Group decreased by RMB5.3 million or 71.6% to RMB2.1 million for the six months ended 30 June 2020 from RMB7.4 million for the six months ended 30 June 2019. The decrease in expenses is mainly due to other expenses for the six months ended 30 June 2019 included the listing expenses of RMB5.6 million.

Finance costs, net

The finance costs of the Group increased by RMB4.1 million or 68.3% to RMB10.1 million for the six months ended 30 June 2020 from RMB6.0 million for the six months ended 30 June 2019, which were primarily attributable to interest expense arising from revenue from contracts. Interest expense arising from revenue from contracts results from property management fees received in advance of the due date.

Income Tax Expense

For the six months ended 30 June 2020, the income tax of the Group during the first half of 2020 was approximately RMB34.6 million (for the six months ended 30 June 2019: RMB15.0 million) primarily due to the increase in taxable income.

Profit for the Period

The net profit of the Group increased by approximately RMB42.4 million or approximately 101.4% to approximately RMB84.2 million for the six months ended 30 June 2020 from approximately RMB41.8 million for the six months ended 30 June 2019.

Core Net Profit Attributable to Owners of the Parent Company

The core net profit attributable to owners of the parent company excluded the listing expenses. The core net profit attributable to owners of the parent company increased by approximately 76.2% to approximately RMB84.2 million for the six months ended 30 June 2020 from approximately RMB47.8 million for the six months ended 30 June 2019.

Property, Plant and Equipment

The Group's property, plant and equipment mainly included leasehold improvement, motor vehicles and office equipment. As at 30 June 2020, the Group's property, plant and equipment was approximately RMB43.1 million, an increase by approximately RMB7.6 million from approximately RMB35.5 million as at 31 December 2019, mainly due to the increase in our purchase of office equipments, transportation equipment and lease renovations.

Trade Receivables

Trade receivables mainly arise from property management services, value-added services to non-property owners and other professional services provided to Times China Group and third parties. The Group's trade receivables as at 30 June 2020 amounted to approximately RMB351.8 million, representing an increase of approximately RMB138.3 million or 64.8% as compared to approximately RMB213.5 million as at 31 December 2019, which was consistent with the trend of income growth.

Prepayments, Deposits and Other Receivables

Prepayment, deposits and other receivables increased by 42.8% from RMB53.7 million as of 31 December 2019 to RMB76.7 million as of 30 June 2020, primarily due to the expansion of the Company's business scale.

Trade Payables

The Group's trade payables as at 30 June 2020 amounted to approximately RMB185.9 million, representing an increase of approximately RMB63.8 million or 52.3% as compared to approximately RMB122.1 million as at 31 December 2019, mainly due to the expansion of the Company's business scale.

Other Payables and Accruals

Other payables and accruals increased by 26.1% from RMB242.9 million as of 31 December 2019 to RMB306.3 million as of 30 June 2020, primarily due to the expansion of the Company's business scale.

Financial Position and Capital Structure

For the six months ended 30 June 2020, the Group maintained a sound financial position.

As at 30 June 2020, the Group's current ratio (current assets/current liabilities) was 1.99 times (31 December 2019: 2.15 times) and net gearing indicated a net cash status (31 December 2019: net cash). Net gearing ratio is calculated by interest-bearing borrowings minus cash and cash equivalents, and then divided by net assets. As at 30 June 2020 and 31 December 2019, the Group did not have any outstanding interest-bearing borrowings.

Pledge of Assets

As at 30 June 2020, none of the assets of the Group were pledged.

Contingent Liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities.

Interest Rate Risk

As the Group had no significant interest-bearing assets and liabilities, the Group is not exposed to material risk directly relating to changes in market interest rate.

Foreign Exchange Risk

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. As at 30 June 2020, the Group did not engage in hedging activities for managing foreign exchange rate risk.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AFFILIATES AND JOINT VENTURE ENTERPRISES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Acquisition of Guangzhou Haoqing

Pursuant to the equity transfer agreement entered into on 24 March 2020 between Huizhou Huiyang Baowen Real Estate Development Management Co., Ltd. (惠州市惠陽區保文房地產開發經營有限公司) (“Huizhou Huiyang”) as vendor and Guangzhou Times Neighborhood Corporate Governance Co., Ltd. (廣州市時代鄰里企業管理有限公司) (“Guangzhou Times Neighborhood”), an indirect wholly-owned subsidiary of the Company, as purchaser, Guangzhou Times Neighborhood agreed to acquire the entire equity interest of Guangzhou Haoqing and the shareholder loan from Huizhou Huiyang at the total consideration of RMB32,722,984.80. Guangzhou Haoqing is a property management and municipal sanitation service provider established in the PRC. The business registration and arrangement of such equity transfer were completed in April 2020. Upon completion of such acquisition, Guangzhou Haoqing has become a subsidiary of the Group. For further details, please refer to the announcement of the Company dated 24 March 2020.

Acquisition of Xuzhou Mengmu Enterprise Management Co., Ltd. (“Xuzhou Mengmu”) and Shanghai Kejian

Pursuant to the equity transfer agreement entered into on 28 June 2020 between, among others, Guangzhou Times Neighborhood, certain vendors and Xuzhou Mengmu, Guangzhou Times Neighborhood acquired the entire equity interest of Xuzhou Mengmu at the consideration of RMB234,050,000, and Xuzhou Mengmu holds 51% equity interest of Shanghai Kejian. Shanghai Kejian is a property management service provider for industrial logistics real estate established in the PRC. The business registration and arrangement of such equity transfer were completed in July 2020. Upon completion of such acquisition, Xuzhou Mengmu and Shanghai Kejian have become subsidiaries of the Group. For further details, please refer to the announcements of the Company dated 28 June 2020 and 10 July 2020.

Save as disclosed in this announcement, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, affiliates and joint venture enterprises during the Period, nor was there any plan authorized by the Board for other material investments or additions of capital assets at the date of this announcement.

EVENTS AFTER THE PERIOD

On 7 July 2020, the Company entered into an agreement with Credit Suisse (Hong Kong) Limited (the manager) and Asiatic Enterprises Ltd. (“Asiatic Enterprises”) (the seller), pursuant to which the manager conditionally agreed to place 77,000,000 existing shares of the Company at the placing price of HK\$10.22 per share on a best effort basis, while Asiatic Enterprises conditionally agreed to subscribe for new shares, the number of which is equal to the number of the placing shares placed by the manager, at the placing price. The Directors considered that the placing and subscription provide a good opportunity for the Company to raise additional funds to consolidate its financial position, broaden the shareholder base and capital base of the Group, thus promoting future development, and help increase the liquidity of shares. The Company intends to use 90% of the net proceeds from the proposed placing for taking potential strategic investment and acquisition opportunities, and the remaining 10% for the Group’s general working capital purposes. The Company completed the placing of shares, and allotment and issuance of new shares according to the general mandate, on 9 July 2020 and 20 July 2020, respectively. The net proceeds received by the Company after deducting related costs and expenses are approximately HK\$779,596,946. As of the date of this announcement, the above net proceeds have not been used. For details, please see the announcements of the Company dated 7 July 2020, 15 July 2020 and 20 July 2020.

Save as disclosed above, no other significant events took place after the Period.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on the listing date (i.e. 19 December 2019) by way of global offering, raising the total net proceeds (after deducting professional fees, underwriting commissions and other related listing expenses) of approximately HK\$786,744,178.

The proceeds from the Listing are and will be continuously used according to the plans disclosed in the section headed “Future Plans and Use of Proceeds – Use of Proceeds” in the prospectus dated 9 December 2019 of the Company, namely:

Proposed Use of Proceeds	As at 30 June 2020 Actual Use of Proceeds (Including the Reserved Amount)
<ul style="list-style-type: none">– Approximately 65% of the total net proceeds or HK\$511,383,716 will be used for seeking selective strategic investment and acquisition opportunities and further developing strategic alliances;	<ul style="list-style-type: none">– Approximately 36.42% of the total net proceeds or HK\$286,500,000 has been used for seeking selective strategic investment and acquisition opportunities and further developing strategic alliances, while the remainder will be used for the intended purposes;
<ul style="list-style-type: none">– Approximately 15% of the total net proceeds or HK\$118,011,627 will be used for improving the customer service quality by using advanced technology and building a smart community;	<ul style="list-style-type: none">– Approximately 5.60% of the total net proceeds or HK\$44,020,000 has been used for improving the customer service quality by using advanced technology and building a smart community, while the remainder will be used for the intended purposes;
<ul style="list-style-type: none">– Approximately 10% of the total net proceeds or HK\$78,674,417 will be used for further developing a one-stop service platform; and	<ul style="list-style-type: none">– Approximately 0.96% of the total net proceeds or HK\$7,550,000 has been used for further developing a one-stop service platform, while the remainder will be used for the intended purposes; and
<ul style="list-style-type: none">– Approximately 10% of the total net proceeds or HK\$78,674,417 will be used for working capital and general corporate purposes.	<ul style="list-style-type: none">– Proceeds have not been used for working capital and general corporate purposes, but will be used for intended purposes.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 8,949 employees (30 June 2019: 7,890 employees).

The remunerations of the employees are commensurate with their performance, skills, knowledge, experience and the market trend. Employee benefits provided by the Group include provident fund schemes, medical insurance scheme, unemployment insurance scheme, housing provident fund and mandatory provident fund. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustments that accommodate the remuneration levels in the industry. In addition to basic salaries, the employees may be offered with discretionary bonuses and cash awards based on individual performances. The Group also provides training programs for the employees with a view to constantly upgrading their skills and knowledge.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of our shareholders and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance.

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code during the six months ended 30 June 2020. The Company will continue to review and monitor its corporate governance practice to ensure the compliance of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions conducted by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own Code of Conduct for securities transactions conducted by relevant Directors. After making specific enquires to all the Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Company, together with the management of the Company, has reviewed the interim report of the Group and its unaudited condensed consolidated interim results for the six months ended 30 June 2020. The audit committee has also reviewed the effectiveness of risk management and internal control system of the Company, and considered the risk management and internal control system to be effective and adequate.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (<http://www.shidaiwuye.com>), and the interim report for 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Times Neighborhood Holdings Limited
Mr. Bai Xihong
Chairman

Hong Kong, 11 August 2020

As at the date of this announcement, the Board comprises Ms. Wang Meng, Mr. Yao Xusheng, Ms. Xie Rao and Ms. Zhou Rui as executive Directors; Mr. Bai Xihong and Mr. Li Qiang as non-executive Directors; and Mr. Lui Shing Ming, Brian, Dr. Wong Kong Tin and Dr. Chu Xiaoping as independent non-executive Directors.