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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)

CONTINUING CONNECTED TRANSACTIONS

THE CCT AGREEMENT

On 16 November 2021, the Company entered into the CCT Agreement with Times China in relation to the provision of the Services by the Group to the Times China Group and its associated companies.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is owned as to 47.51% by Best Source, which is wholly-owned by Super Reach. Super Reach is a controlling shareholder of the Company. Times China is owned as to 62.74% by Asiaciti Enterprises, which is wholly-owned by Super Reach. Times China is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. Thus, Times China is a connected person of the Company. The transactions contemplated under the CCT Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest annual cap for transactions contemplated under the CCT Agreement exceed 5%, the transactions contemplated under the CCT Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps). Save for Mr. Bai who is interested in approximately 2.08% of the total issued shares of the Company and approximately 2.27% of the total issued shares of Times China, and Best Source which is controlled by the same controlling shareholder with Times China, none of the other Shareholders has a material interest in the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps) and is required to abstain from voting on the relevant resolution in the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps).

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps).

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) the principal terms of the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps); (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders regarding the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps); and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or around 22 November 2021.

THE CCT AGREEMENT

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Principal terms

The principal terms of the CCT Agreement are set out below.

Subject matters

The Group agreed to provide the Services to the Times China Group and its associated companies.

Term

The CCT Agreement shall become effective on the Effective Date conditional upon the Independent Shareholders and the independent shareholders of Times China having approved the relevant ordinary resolution at the EGM and the Times China EGM respectively. The term shall commence from 1 January 2022 until 31 December 2024.

Pricing

The fees will be determined after arm's length negotiations with reference to (i) the prevailing market price (taking into account the location and the conditions of the property, the scope of the services and the anticipated operation costs including but not limited to labor costs, administration costs and costs of materials) charged by the Group for providing similar services to Independent Third Parties; and (ii) the guidance price of the Services for similar type of development projects issued by the local government (if applicable). The fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if applicable) and not lower than the fees charged by the Group to Independent Third Parties in any event.

The pricing policies under each of the different type of Services to be offered by the Group are as follows:

- (a) For valued-added services to non-property owners, the Group generally prices by taking into account a number of factors, including the services required, period of agreement, cost of sales, the local market conditions and the nature and requirements of individual properties:

- (i) *Construction site management services***

- Based on the requests from the Times China Group, the Group will make bids/quotations after taking into account factors including, prevailing market prices, technical skills and know-how required and the Group's costs of services (including the manpower required for construction and the installation procedures requirement based on the construction blueprints of the relevant projects);

- (ii) *Sales assistance services***

- The service fee shall be determined with reference to various factors including the market prices and the Group's costs of services (including but not limited to labour costs and sales material costs) plus reasonable management fees. In determining the market price in a particular region, the Group will take into account (a) the level of fees charged by the Group for other projects in the same region of similar scale, (b) the number of staff members needed, (c) whether the staff is required to have any specific skill or qualification, (d) the applicable minimum wage in the same region, and (e) the costs of deploying local staff members of the Group;

- (iii) *Pre-delivery cleaning services***

- The service fee shall be determined with reference to various factors including the market prices and the Group's costs of services (including but not limited to labour costs and cleaning equipment costs) plus reasonable management fees. In determining the market price in a particular region, the Group will take into account (a) the level of fees charged by the Group for other projects in the same region of similar scale, (b) the number of staff members needed, (c) whether the staff is required to have any specific training, (d) the applicable minimum wage in the same region, and (e) the costs of deploying local staff members of the Group;

- (b) For property management services, the Group generally prices by taking into account a number of factors, including (i) the type and location of properties, (ii) the Group's budgeted costs, (iii) the contracted scope of services and standard, (iv) the Group's brand recognition in the cities, (v) local government policies and pricing guidance (if applicable), (vi) the property management fee charged by preceding property management service providers if applicable; and (vii) future profitability after taking into consideration the increase in labor cost in the foreseeable future. In particular, the fees charged by property management companies nationwide are regulated by the price administration department and construction administration department of the State Council. The price administration department of the local people's governments above the county level and the competent property administration departments at the same level are responsible for regulating the fees charged by property management companies in their respective administrative regions. Therefore, different administrative regions may have different government guidance prices for different types of properties and service standards and local government policies and pricing guidance apply to most of the preliminary property management service agreements entered into between the property developers and the Group at the preliminary stage.
- (c) For car parking lots leasing management services, the parties shall negotiate the approaches for settlement of the parking lots leasing management services based on the then market conditions of local parking lots leasing management services. The adoption of agency commission approach or exclusive distribution approach depends on arm's length negotiation between the parties.
- (d) For the sale, installation and maintenance of elevators services, service fee shall be determined by arm's length negotiation between the parties after taking into account various factors including the costs of staff deployed by the Group and reasonable management costs. In determining the market price in a particular region, the Group will take into account (a) the location and conditions of the elevators and the properties, (b) the purchasing cost of the elevators and the anticipated operational costs including labour costs and material costs; and (c) the costs of deploying local staff members of the Group.
- (e) For instalment of internet services, service fee shall be determined by arm's length negotiation between the parties after taking into account various factors including the costs of staff deployed by the Group and reasonable management costs. In determining the market price in a particular region, the Group will take into account (a) the location and conditions of the relevant properties, (b) the purchasing cost of the internet connection materials and the anticipated operational costs including labour costs and material costs; and (c) the costs of deploying local staff members of the Group.
- (f) For intelligent engineering services, the Group will make bids/quotations after taking into account factors including, prevailing market prices, technical skills and know-how required and the Group's costs of services (including the manpower required for intelligent engineering work for the relevant projects).

Payment

The credit term for the fee payable by the Times China Group and its associated companies in relation to the Services is 30 days in general, in line with the credit term provided to Independent Third Parties.

Historical transaction amounts

The historical transaction amounts received by the Group and its associated companies for the provision of the relevant services for the three years ended 31 December 2020 and the eight months ended 31 August 2021 amounted to RMB238,387,000, RMB331,810,000, RMB543,344,000 and RMB321,717,000, respectively. Set out below is the breakdown of such historical amounts:

	For the year ended 31 December			For the eight months ended 31 August
	2018	2019	2020	2021
	<i>(RMB'000)</i>			
Value-added services to non-property owners (including construction site management services, sales assistance services, pre-delivery cleaning services and preliminary planning and design consultancy services at pre-delivery stage)	187,552	247,683	399,047	211,445
Property management services	30,569	53,288	77,375	45,973
Car parking lots leasing management services	4,102	4,068	4,975	4,000
Sale, installation and maintenance of elevators	9,681	25,333	30,501	9,139
Instalment of internet services	789	591	10,958	12,654
Intelligent engineering services	5,694	847	20,488	38,506
Total	238,387	331,810	543,344	321,717

At the time of the Company's initial public offering, the Company projected the proposed annual caps for the two years ending 31 December 2021 primarily by referencing to the relevant historical transactions for the three years ended 31 December 2018 and for the period ended 30 June 2019.

The development of the property services industry is very rapid and the industry players are actively exploring new opportunities and business models in recent years. After the listing, the Company has focused on the development of diversified value-added services and achieved a sizable business expansion. The Company has diversified and promoted more value-added services to non-property owners and instalment of internet services to its customers since 2020.

Notwithstanding that the historical transaction amount for the provision of the services since the financial year ended 31 December 2018 covered both the Company's previous continuing connected transactions with Times China and Asiatic Enterprises and they were covered by two separate continuing connected transaction agreements entered into (i) between Asiatic Enterprises and the Company; and (ii) between Times China and the Company, the Group has reviewed the historical transactions thereunder, and noted the services were ultimately taken up by the Times China Group and its associated companies. Therefore, the Company considers that it is no longer necessary to enter into an agreement with Asiatic Enterprises for the year 2021 onwards. The proposed new grouping of the Services under an agreement directly with Times China would reduce unnecessary legacy bureaucracy and enhance operational efficiency.

Proposed annual caps

The annual caps for the fee to be paid by the Times China Group and its associated companies for the three years ending 31 December 2024 will not exceed RMB1,220,000,000, RMB1,680,000,000, and RMB2,150,000,000, respectively.

The above proposed annual caps were determined after having taken into account of the following factors:

- (a) the estimated breakdown of the Services is set out below:

	For the year ending 31 December		
	2022	2023	2024
	<i>(RMB' 000)</i>		
Value-added services to non-property owners	818,524	1,173,254	1,514,320
Property management services	113,000	116,400	121,680
Car parking lots leasing management services	7,000	7,000	7,000
Sale, installation and maintenance of elevators	162,000	252,000	352,800
Instalment of internet services	12,410	11,858	11,400
Intelligent engineering services	107,066	119,488	142,800
Total	1,220,000	1,680,000	2,150,000

- (b) the estimated breakdown of the value-added services to non-property owners is set out below:

	As at 31 December		
	2022	2023	2024
	<i>(RMB' 000)</i>		
Value-added services to non-property owners	818,524	1,173,254	1,514,320
– Construction site management services	36,000	39,600	44,000
– Sales assistance services	744,524	1,091,654	1,424,120
– Pre-delivery cleaning services	38,000	42,000	46,200

- (c) The estimated demand for the property management and related services (excluding the sales agency services under the sales assistance services) is determined with reference to (1) the area of projects expected to be delivered by the Times China Group; (2) the number of entrusted management projects; and (3) the unit price level of projects. As at 30 June 2021, the Group operated 122 projects under development or for sale of the Times China Group with the area of projects under management of approximately 22.6 million sq.m., representing a year-on-year increase of approximately 14.7%. It is expected that the service fees derived from the provision of property management services to the Times China Group will increase.
- (d) The estimated demand for the sales agency services under the sales assistance services is determined with reference to (1) the estimated value of properties/car parking lots for sale; (2) the number of properties/car parking lots expected to be sold; and (3) the estimated commission rate. As at 30 June 2021, commission income from sales agency services amounted to RMB135 million, representing a year-on-year increase of approximately 12.9%. It is expected that the commission income derived from the provision of sales agency services to the Times China Group will increase.

- (e) In respect of the sale, installation and maintenance of elevators, instalment of internet services and intelligent engineering services provided by the Group to the Times China Group, certain contracts have been entered into. It is expected that the transaction amounts for the year 2021 will be approximately RMB86.2 million, RMB12.4 million and RMB100.6 million, respectively.

For the sale, installation and maintenance of elevators, the Group expects that (1) there will be about 50 to 60 projects with a contract value ranging from RMB1 million to RMB3 million, which is an assumption on the basis that such number of projects will be delivered as scheduled (in the case of sale and installation of elevators) and the forecast about the projects currently managed by the Company (in the case of the relevant projects of maintenance services); (2) the price is in line with the prevailing market prices for contracts of projects with similar scale; and (3) there will be no significant changes in the costs involved in the provision of such services, including the location and condition of the property, elevator purchase costs and expected operating costs (including labor costs and material costs).

In respect of the estimated amount of sale, installation and maintenance of elevators for the year ending 31 December 2021, (i) the transaction amount of such services for the eight months ended 31 August 2021, which was around RMB9.1 million; and (ii) the value of contracts signed/estimated to be signed from September to December of 2021, which expects around RMB77.1 million, accounting for approximately 89.4% of the estimated transaction amount of around RMB86.2 million in 2021.

Compared with the historical record for the year ended 31 December 2020, the transaction amount of sale, installation and maintenance of elevators in the last two months of 2020 accounted for over 80% of the total transaction amount of 2020. It can be seen that this type of transaction is generally recorded in the last few months of each year, which is normal and reasonable.

- (f) For the instalment of internet services and intelligent engineering services, the estimated transaction amounts of the Group are calculated with reference to the following: (1) the estimated GFA to be delivered in the next three years; (2) the estimated proportion of the intelligent engineering services provided by the Group to the Times China Group; and (3) the unit cost per sq.m. of the intelligent engineering services.
- (g) According to the public information disclosed by the Times China Group, as at 30 June 2021, the Times China Group had total land reserves of approximately 21.7 million sq.m. and GFA available for sale of approximately 1.58 million sq.m., which will be sufficient to support its development need for the next three years. The increasing land reserves of the Times China Group will have a positive and direct impact on the property projects of Times China to be sold and delivered to property owners in 2022, 2023 and 2024. On such basis, it is expected that the demand for the Group's property management services and other services will increase in the next three years.
- (h) the Group's performance and the transactions amounts of the Services in recent years.

INTERNAL CONTROL

The Group will adopt the following internal control measures in connection with the continuing connected transactions:

- (a) the finance department will review and examine the relevant pricing terms before entering into every specific agreement by collecting the relevant market information, reviewing and comparing the historical and current quotations to Independent Third Parties providing similar services to ensure that the terms of such transactions are fair and reasonable and no more favourable to the connected persons than those charged to Independent Third Parties;
- (b) the finance department will take proper records of the actual transaction amounts and will review the aggregate transaction amounts on a monthly basis. To ensure that the annual caps will not be exceeded, the finance department will alert the management team the aggregate transaction amounts on a monthly basis. If the actual aggregate transaction amount reaches 50% threshold of the proposed annual caps, or if the business operation department and finance department expect that the relevant business operations will expand and may use up a substantial part of the annual caps in short run, the matter shall promptly be escalated to the senior management of the Company. The senior management of the Company will assess if there is a need to revise the existing annual caps, coordinate and conclude the decision, and if so, revise the annual caps in accordance with the relevant internal procedures of the Company and re-comply with the requirements under the Listing Rules;
- (c) the Group will implement internal checks to ensure that the procedures of the connected transactions will conform with the internal control system of the Group, the annual caps will be complied with and that pricing is consistent with the principal terms and conditions of the CCT Agreement by random inspection of the pricing terms, payment arrangements and actual transaction amounts;
- (d) the external auditors of the Company will conduct an annual review of the pricing and the transaction volume vis-à-vis the annual caps under the CCT Agreement;
- (e) the audit committee of the Company will review the transactions under the CCT Agreement and recommend any proposals to improve the internal control measures; and
- (f) the independent non-executive Directors will annually review the implementation and enforcement of the requirements and the internal control measures imposed on the CCT Agreement.

REASONS AND BENEFITS OF THE CCT AGREEMENT

The Group has long-standing business relationship with the Times China Group and its associated companies. The Group is able to generate a stable income stream from such reliable customers for the provision of the Services under the CCT Agreement. Given that the Group will ensure that the terms of such transactions will be fair and reasonable and no more favourable to the connected persons than those provided to Independent Third Parties, the Directors believe that the Group will be able to benefit from the entering into of the CCT Agreement.

The Directors (including the independent non-executive Directors who have expressed their views after considering the advice from Gram Capital, but excluding Mr. Bai) are of the view that the CCT Agreement (including the proposed annual caps) was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Shareholders as a whole.

As at the date of this announcement, Mr. Bai holds approximately 2.08% of the total issued shares of the Company and approximately 2.27% of the total issued shares of Times China; Mr. Bai has abstained from voting on the relevant Board resolution for approving the CCT Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is owned as to 47.51% by Best Source, which is wholly-owned by Super Reach. Super Reach is a controlling shareholder of the Company. Times China is owned as to 62.74% by Asiaciti Enterprises, which is wholly-owned by Super Reach. Times China is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. Thus, Times China is a connected person of the Company. The transactions contemplated under the CCT Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the annual cap for transactions contemplated under the CCT Agreement exceed 5%, the transactions contemplated under the CCT Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

(1) The Company and the Group

The Company is an investment holding company. The Group is principally engaged in the business of provision of property management services, value-added services to non-property owners, community value-added services and other professional services in the PRC.

(2) Times China

Times China is one of the leading property developers in the PRC, focusing on the development of mid-market to high-end residential properties. Times China's business comprises three areas: (i) property development, i.e., the development of residential and commercial properties for sale and the provision of construction services, (ii) urban redevelopment, i.e., the redevelopment of old towns, old factories and old villages, and (iii) property leasing, i.e., the development, leasing and subleasing of commercial properties owned by it or third parties. As at the date of this announcement, Times China is directly owned as to (i) 62.74% by Asiaciti Enterprises, which is wholly-owned by Super Reach, which is in turn owned as to (a) 60% by Renowned Brand and in turn wholly owned by Mr. Shum, and (b) 40% by East Profit and in turn wholly owned by Ms. Li; and (ii) 37.26% by the public shareholders.

GENERAL

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps). Save for Mr. Bai who is interested in approximately 2.08% of the total issued shares of the Company and approximately 2.27% of the total issued shares of Times China, and Best Source which is controlled by the same controlling shareholder with Times China, none of the other Shareholders has a material interest in the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps) and is required to abstain from voting on the relevant resolution in the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps).

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps).

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) the principal terms of the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps); (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders regarding the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps); and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or around 22 November 2021.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Asiaciti Enterprises”	Asiaciti Enterprises Ltd. (豐亞企業有限公司), a company incorporated in the British Virgin Islands with limited liability
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Best Source”	Best Source Ventures Limited (卓源創投有限公司), a company incorporated in the British Virgin Islands with limited liability
“Board”	the board of the Company
“Company”	Times Neighborhood Holdings Limited (時代鄰里控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 9928)
“connected person”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“East Profit”	East Profit Management Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Ms. Li
“Effective Date”	the date of approval by the Independent Shareholders and the independent shareholders of Times China at the EGM and the Times China EGM respectively
“EGM”	the extraordinary general meeting of the Company proposed to be convened for the approval of the CCT Agreement and the transactions contemplated thereunder
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the CCT Agreement (including the proposed annual caps)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors
“Independent Shareholders”	the Shareholders other than Mr. Bai, Best Source and its associates
“Independent Third Parties”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Company or any of its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Bai”	Mr. Bai Xihong (白錫洪), a non-executive Director
“Mr. Shum”	Mr. Shum Chiu Hung, the ultimate controlling shareholder of the Company
“Ms. Li”	Ms. Li Yiping, spouse of Mr. Shum
“PRC”	the People’s Republic of China
“Renowned Brand”	Renowned Brand Investments Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Shum
“RMB”	Renminbi, the lawful currency of the PRC

“Services”	(i) value-added services to non-property owners (including construction site management services, sales assistance services and pre-delivery cleaning services); (ii) property management services; (iii) car parking lots leasing management services; (iv) sale, installation and maintenance of elevators; (v) instalment of internet services; and (vi) intelligent engineering services
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Super Reach”	Super Reach Ventures Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to (a) 60% by Renowned Brand and in turn wholly owned by Mr. Shum and (b) 40% by East Profit and in turn wholly owned by Ms. Li
“Times China”	Times China Holdings Limited (時代中國控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1233)
“Times China EGM”	the extraordinary general meeting of Times China proposed to be convened for the approval of the CCT Agreement and the transactions contemplated thereunder
“Times China Group”	Times China and its subsidiaries
“%”	per cent.

By Order of the Board
Times Neighborhood Holdings Limited
Wang Meng
Executive Director

Hong Kong, 16 November 2021

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; Mr. Lui Shing Ming, Brian, Dr. Wong Kong Tin and Dr. Chu Xiaoping as independent non-executive Directors.