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TIMES CHINA HOLDINGS LIMITED

時代中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1233)

**CONTINUING CONNECTED TRANSACTIONS
MASTER EQUIPMENT SALES, INSTALLATION
AND MAINTENANCE SERVICES**

Reference is made to the announcements of the Company dated 9 September 2019, 15 November 2019, 28 November 2019, 6 December 2019, 9 December 2019, 18 December 2019 and 19 December 2019 in relation to the Spin-off and the separate listing of Times Neighborhood.

MASTER EQUIPMENT SALES, INSTALLATION AND MAINTENANCE SERVICES AGREEMENT

On 3 December 2019, the Company entered into the Master Agreement with Times Neighborhood, pursuant to which the Times Neighborhood Group agreed to (a) sell elevators to the Group and provide accessorial installation, maintenance and repair services of such elevators, and (b) provide intelligent engineering services, including but not limited to installation and maintenance of access control system, intercom system, surveillance system and broadband network facilities and consultation services in relation to such installation and maintenance for properties developed by the Group before the delivery of such properties to property owners (collectively, the “**Equipment Sales, Installation and Maintenance Services**”), for a term commencing on the Listing Date until 31 December 2021.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is owned as to 61.54% by Asiaciti Enterprises. Asiaciti Enterprises is a connected person of the Company under Chapter 14A of the Listing Rules. Following completion of the Spin-off and as at the date of this announcement, Times Neighborhood has ceased to be a subsidiary of the Company and Asiaciti Enterprises has become interested in 50.58% of the issued share capital of Times Neighborhood. Accordingly, Times Neighborhood is an associate of a connected person of the Company, and hence a connected person under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios under the Listing Rules in respect of the highest annual cap for transactions contemplated under the Master Agreement exceed 0.1% but all of them are below 5%, the transactions contemplated under the Master Agreement are subject to the reporting, annual review and announcement requirements but exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated 9 September 2019, 15 November 2019, 28 November 2019, 6 December 2019, 9 December 2019, 18 December 2019 and 19 December 2019 in relation to the Spin-off and the separate listing of Times Neighborhood.

MASTER EQUIPMENT SALES, INSTALLATION AND MAINTENANCE SERVICES AGREEMENT

Date: 3 December 2019

Parties: (1) Times Neighborhood; and
(2) the Company.

Term: A term commencing on the Listing Date until 31 December 2021.

Subject: Provision of the Equipment Sales, Installation and Maintenance Services to the Group by the Times Neighborhood Group.

Price: The fees for the provision of the Equipment Sales, Installation and Maintenance Services will be determined after arm's length negotiations with reference to the prevailing market price (taking into account the location and the conditions of the properties, purchasing cost of the elevators and the anticipated operational costs including labour costs and material costs).

Payment: The credit term for the service fee payable by the Company and its associates in relation to the Equipment Sales, Installation and Maintenance Services is 30 days, in line with the credit term provided to Independent Third Parties.

Historical transaction values

The historical transaction amounts for the provision of the Equipment Sales, Installation and Maintenance Services for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019 amounted to RMB1.4 million, RMB4.7 million, RMB16.2 million and RMB2.6 million, respectively. Set out below is the breakdown of the such historical amounts:

	For the year ended 31 December			For the six months ended
	2016	2017	2018	30 June
		(RMB'000)		2019
				(Note 1)
Installation and maintenance of elevators	–	233	9,681	1,529
Instalment of internet services	–	–	789	177
Intelligent engineering services	1,435	4,505	5,694	899
Total	<u>1,435</u>	<u>4,738</u>	<u>16,164</u>	<u>2,605</u>

Note:

1. The Company expects that the actual transaction amount for the year ended 31 December 2019 will not exceed the approved annual cap of approximately RMB30.7 million.

Annual caps

The annual caps for the fees for the provision of the Equipment Sales, Installation and Maintenance Services to be paid by the Group to the Times Neighborhood Group for each of the three years ending 31 December 2021 will not exceed RMB30.7 million, RMB66.2 million and RMB95.7 million, respectively. Set out below is the estimated breakdown of such annual caps:

	For the year ending 31 December		
	2019	2020	2021
		(RMB'000)	
Sales, installation and maintenance of elevators	22,315	31,053	43,690
Instalment of internet services	4,869	10,045	14,863
Intelligent engineering services	3,470	25,049	37,064
Total	<u>30,654</u>	<u>66,147</u>	<u>95,617</u>

The above proposed annual caps for each of the three years ending 31 December 2021 were determined after having taken into account of the following factors:

- (i) the historical transaction amounts during the period comprising the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019;
- (ii) the estimated revenue to be recognized based on the existing signed contracts;
- (iii) the revenue from the sales of elevators which commenced in September 2019 and Times Neighborhood's estimated undertaking/acceptance rate based on the rate for the year ended 31 December 2018;
- (iv) the estimated number of elevators to be purchased by the Group based on its land bank and projects under development as of 30 June 2019;
- (v) the estimated price, estimated installation fee and estimated decoration fee of each elevator which is assumed to remain the same as that for the two years ended 31 December 2018;
- (vi) the estimated increase in demand for Equipment Sales, Installation and Maintenance Service from properties to be developed by the Group based on publicly available information and Times Neighborhood's estimated undertaking/acceptance rate based on the rate during the period comprising the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019; and
- (vii) the estimated contract price per unit for instalment of internet services and intelligent engineering services based on that for the year ended 31 December 2018.

PRICING POLICY

During the term of the Master Agreement, members of the Group may from time to time enter into individual agreements with members of the Times Neighborhood Group for the provision of the Equipment Sales, Installation and Maintenance Services in accordance with the principal terms of the Master Agreement. The Group adopts the following pricing policy for the Master Agreement:

- (a) each individual agreement will be negotiated on an arm's length basis to ensure the relevant pricing terms are fair and reasonable and on normal commercial terms;
- (b) the transaction price shall be determined based on the prevailing market prices after the arm's length negotiation is reached between both parties in respect of the terms and conditions of each individual agreement to ensure that the prices offered by the Times Neighborhood Group are no less favorable to the Group than those offered by other Independent Third Parties;

- (c) the Group shall refer to other quotations of similar products and services provided by Independent Third Parties by way of tender and review regularly as to whether the prices offered by the Times Neighborhood Group deviate materially from those offered by Independent Third Parties to ensure that the prices offered by the Times Neighborhood Group are fair and reasonable and are no less favorable than those offered by other Independent Third Parties;
- (d) the transaction price shall be negotiated with the Times Neighborhood Group with reference to the location and the conditions of the properties, purchasing cost of the elevators and the anticipated operational costs including labour costs and material costs; and
- (e) should there be any material discrepancies between the prices charged by the Times Neighborhood Group and that offered by Independent Third Parties, the prices chargeable by the Times Neighborhood Group will be adjusted accordingly.

INTERNAL CONTROL

The Group will adopt the following internal control measures in connection with the Master Agreement:

- (a) the purchasing department will regularly examine the relevant pricing terms by collecting the relevant market information, reviewing and comparing the quotations obtained from other Independent Third Parties providing similar products and services to ensure that the prices offered by the Times Neighborhood Group will be on terms no less favourable than those offered by Independent Third Parties;
- (b) the finance department will take proper records of the actual transaction amounts between the Group and the Times Neighborhood Group 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 and purchasing team the aggregate transaction amounts on a continuing basis;
- (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 Master 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 Master Agreement;
- (e) the audit committee of the Company will review the transactions under the Master 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 Master Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Times Neighborhood Group is one of the leading and fast-growing comprehensive property management service providers in the PRC. Its major services currently include the provision of (i) property management services, primarily consisting of security, cleaning, gardening and repair and maintenance services; (ii) value-added services to non-property owners consisting of construction site services, sales assistance services and pre-delivery cleaning services; (iii) community value-added services, including public space leasing and parking space management, and resident services; and (iv) other professional services, primarily consisting of elevator services, intelligent engineering services and municipal sanitation services. The Directors are of the view that the Times Neighborhood Group has long-standing relationship with the Group and possesses extensive professional knowledge and experience in the provision of the Equipment Sales, Installation and Maintenance Services, so it will be able to offer quality service to the Group. Further, given its large market share and promising business model, it will be able to offer competitive prices to the Group at terms more favourable to the Group than those offered by the Independent Third Parties. Hence, the Directors believe that the Group will be able to benefit from the entering into of the Master Agreement with Times Neighborhood.

The Directors (including the independent non-executive Directors) are of the view that the Master Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is owned as to 61.54% by Asiatic Enterprises. Asiatic Enterprises is a connected person of the Company under Chapter 14A of the Listing Rules. Following completion of the Spin-off and as at the date of this announcement, Times Neighborhood has ceased to be a subsidiary of the Company and Asiatic Enterprises has become interested in 50.58% of the issued share capital of Times Neighborhood. Accordingly, Times Neighborhood is an associate of a connected person of the Company, and hence a connected person under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios under the Listing Rules in respect of the highest annual cap for transactions contemplated under the Master Agreement exceed 0.1% but all of them are below 5%, the transactions contemplated under the Master Agreement are subject to the reporting, annual review and announcement requirements but exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since Mr. Shum is the controlling shareholder of Times Neighborhood, Mr. Shum Siu Hung is the younger brother of Mr. Shum, Mr. Bai Xihong (“**Mr. Bai**”) and Mr. Li Qiang (“**Mr. Li**”) are non-executive directors of Times Neighborhood, they have abstained from voting on the relevant board resolutions to approve the Master Agreement and the transactions contemplated thereunder.

GENERAL

The Company is one of the leading property developers in the PRC, focusing on the development of mid-market to high-end residential properties. The Company's business comprises property development, i.e., the development of residential and commercial properties for sale, and property leasing, i.e., the development, leasing and subleasing of commercial properties owned by it or third parties.

Times Neighborhood Group is principally engaged in the provision of (i) property management services, primarily consisting of security, cleaning, gardening and repair and maintenance services; (ii) value-added services to non-property owners consisting of construction site services, sales assistance services and pre-delivery cleaning services; (iii) community value-added services, including public space leasing and parking space management, and resident services; and (iv) other professional services. As at the date of this announcement, Times Neighborhood is directly owned as to (i) 50.58% by Asiaciti Enterprises, which is owned as to (a) 60% by Renowned Brand Investments Limited and in turn wholly owned by Mr. Shum and (b) 40% by East Profit Management Limited and in turn wholly owned by Mr. Shum's spouse, Ms. Li Yiping; (ii) 2.12% by Mr. Bai; (iii) 0.14% by Mr. Li; and (iv) 47.16% by the public shareholders.

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 and is a controlling shareholder of the Company as at the date of this announcement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Date”	19 December 2019, the date on which Times Neighborhood’s shares were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement dated 3 December 2019 entered into between the Company and Times Neighborhood in relation to the provision of the Equipment Sales, Installation and Maintenance Services
“Mr. Shum”	Mr. Shum Chiu Hung (岑釗雄), one of the controlling shareholders and an executive Director of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Spin-off”	the spin-off and separate listing of Times Neighborhood on the main board of the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Times Neighborhood”	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) and was a subsidiary of the Company prior to the completion of the Spin-off

“Times Neighborhood Group” Times Neighborhood and its subsidiaries

“%” per cent.

By Order of the Board
Times China Holdings Limited
Li Qiang
Executive Director

Hong Kong, 9 January 2020

As at the date of this announcement, the executive Directors are Mr. Shum Chiu Hung, Mr. Guan Jianhui, Mr. Bai Xihong, Mr. Li Qiang, Mr. Shum Siu Hung and Mr. Niu Jimin; and the independent non-executive Directors are Mr. Jin Qingjun, Ms. Sun Hui and Mr. Wong Wai Man.