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**CHINA SCE GROUP HOLDINGS LIMITED**  
中駿集團控股有限公司  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 1966)



**SCE Intelligent Commercial Management Holdings Limited**  
中駿商管智慧服務控股有限公司  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 606)

## JOINT ANNOUNCEMENT

**MAJOR TRANSACTION IN  
RELATION TO DISPOSAL OF  
ENTIRE ISSUED SHARE CAPITAL  
OF TARGET COMPANY TO SCE CM  
GROUP**

**MAJOR AND CONNECTED  
TRANSACTION IN RELATION TO  
ACQUISITION OF ENTIRE ISSUED  
SHARE CAPITAL OF TARGET  
COMPANY FROM CHINA SCE  
GROUP INVOLVING CHANGE OF  
USE OF PROCEEDS FROM INITIAL  
PUBLIC OFFERING**

**Independent Financial Adviser to  
the SCE CM Independent Board Committee**



### **THE SPA**

On 6 November 2023 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of China SCE) and the Purchaser (an indirect wholly-owned subsidiary of SCE CM) entered into the SPA, pursuant to which (i) the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company; and (ii) the Vendor has agreed to procure the Sale Debt to be assigned from Junhui Real Estate (a wholly-owned subsidiary of China SCE) to Zhongjun CM (a wholly-owned subsidiary of SCE CM) and the Purchaser has agreed to procure Zhongjun CM to take the assignment of the Sale Debt, for the Consideration of approximately RMB1,090 million. The Consideration will be funded partly by internal resources of SCE CM and partly by idle proceeds from the initial public offering of SCE CM.

Upon Completion, each member of the Target Group will become a wholly-owned subsidiary of SCE CM and their financial results will be consolidated in the consolidated financial statements of SCE CM Group, and remain consolidated in the consolidated financial statements of China SCE and its subsidiaries.

## **CHANGE IN USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING OF SCE CM**

As disclosed in the financial reports published by SCE CM since the Listing and as at the date of this joint announcement, the Net Proceeds of HK\$1,018.8 million that was allocated for “Strategic Acquisitions and Investments in Other Property Management Companies and Service Providers” has remained unused. For the reasons elaborated in the paragraph headed “Reasons and Benefit for the Transaction and Change of Use of Proceeds from Initial Public Offering of SCE CM” in this joint announcement, the SCE CM Board has resolved to reallocate the unutilised Net Proceeds of HK\$1,018.8 million to be the Consideration for the Transaction.

## **LISTING RULES IMPLICATIONS**

### **China SCE**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) under alternative size tests in respect of the Transaction exceed 25% but all of them are less than 75%, the Transaction constitutes a major transaction for China SCE under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, shareholders’ approval for the SPA and the transactions contemplated thereunder may be obtained by way of written shareholders’ approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the issuer were to convene a general meeting for the approval of the transaction; and (b) the written shareholders’ approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

China SCE has obtained written approval for the Transaction in accordance with Rule 14.44 of the Listing Rules from China SCE Shareholders holding an aggregate of 2,120,500,000 China SCE Shares (representing approximately 50.21% of the entire issued share capital of China SCE), namely Newup Holdings Limited, East Waves Investments Limited and Keen Century Investments Limited, which hold 1,660,040,000 China SCE Shares, 230,230,000 China SCE Shares and 230,230,000 China SCE Shares, respectively, and are all companies wholly-owned by Mr. Wong Chiu Yeung (the chairman of the China SCE Board, an executive director and the chief executive officer of China SCE).

To the best of the SCE China Directors’ knowledge, information and belief, having made all reasonable enquiries, no China SCE Shareholders or any of their respective close associates have any material interest in the Transaction, and therefore none of them is required to abstain from voting if China SCE were to convene a general meeting for the approval of the Transaction. As such, no general meeting will be convened for the approval of the Transaction as is permitted under Rule 14.44 of the Listing Rules.

## **SCE CM**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction exceed 25% but all of them are less than 100%, the Transaction constitutes a major transaction for SCE CM under Chapter 14 of the Listing Rules. Further, as the Vendor is a wholly-owned subsidiary of China SCE, the controlling SCE CM Shareholder indirectly holding approximately 64.52% of the issued share capital of SCE CM as at the date of this joint announcement, the Vendor is a connected person and the Transaction constitutes a connected transaction for SCE CM under Chapter 14A of the Listing Rules. Accordingly, the Transaction is subject to announcement and independent shareholders' approval requirements under the Listing Rules.

## **GENERAL**

### **China SCE**

China SCE has obtained written approval for the SPA and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules and therefore no general meeting will be convened for the approval of the Transaction. Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) the details of the Transaction; and (ii) other information required to be included in the circular under the requirements of the Listing Rules will be despatched on or before 20 November 2023.

## **SCE CM**

SCE CM will convene an EGM for the SCE CM Independent Shareholders to consider and, if thought fit, to approve the SPA and the transactions contemplated thereunder. The votes to be taken at the EGM in relation to the above proposed resolutions will be taken by poll.

An Independent Board Committee comprising all the independent non-executive SCE CM Directors has been established to advise the SCE CM Independent Shareholders in relation to the SPA and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the SPA and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee regarding the SPA and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the SCE CM Independent Shareholders; and (iv) notice of EGM, is expected to be despatched to the SCE CM Shareholders on or before 20 November 2023.

To the best knowledge, information and belief of the SCE CM Directors, having made all reasonable enquiries, no SCE CM Shareholder apart from Happy Scene Global Limited, which is interested in 1,248,490,946 SCE CM Shares representing approximately 64.52% of the entire issued share capital of SCE CM as at the date of this joint announcement, shall abstain from voting on the resolutions approving the SPA and the transactions contemplated thereunder.

On 6 November 2023 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of China SCE) and the Purchaser (an indirect wholly-owned subsidiary of SCE CM) entered into the SPA, pursuant to which (i) the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company; and (ii) the Vendor has agreed to procure the Sale Debt to be assigned from Junhui Real Estate (a wholly-owned subsidiary of China SCE) to Zhongjun CM (a wholly-owned subsidiary of SCE CM) and the Purchaser has agreed to procure Zhongjun CM to take the assignment of the Sale Debt, for the Consideration of approximately RMB1,090 million. The Consideration will be funded partly by internal resources of SCE CM and partly by idle proceeds from the initial public offering of SCE CM.

Upon Completion, each member of the Target Group will become a wholly-owned subsidiary of SCE CM and their financial results will be consolidated in the consolidated financial statements of SCE CM Group, and remain consolidated in the consolidated financial statements of China SCE and its subsidiaries.

## **THE SPA**

Summarised below are the principal terms of the SPA.

### **Date**

6 November 2023

### **Parties**

- (a) China SCE Assets Holdings Limited, as the Vendor; and
- (b) Lofty Idea Enterprises Limited, as the Purchaser

### **Subject assets**

Pursuant to the SPA, (i) the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company; and (ii) the Vendor has agreed to procure the Sale Debt owed by Taiteng Real Estate to Junhui Real Estate to be assigned to Zhongjun CM and the Purchaser has agreed to procure Zhongjun CM to take the assignment of Sale Debt at Completion, which amounted to RMB1,223,321,040.

## **Consideration**

The Consideration for the sale and purchase of the Sale Shares and the Sale Debt is approximately RMB1,090 million, of which the consideration for the Sale Shares is United States dollar (“US\$”) 100 (equivalent to RMB733 based on an exchange rate of US\$:RMB = 1:7.334) which shall be settled outside the PRC and the remaining amount is the consideration for the Sale Debt which shall be settled in the PRC.

The Consideration will be paid by the Purchaser to the Vendor in full on Completion Date. The Consideration will be funded partly by internal resources of SCE CM and partly by the idle proceeds from the initial public offering of SCE CM, the reasons of which are further elaborated in the paragraph headed “Reasons and Benefit for the Transaction and Change of Use of Proceeds from Initial Public Offering of SCE CM” below.

## **Basis of determination of consideration**

The Consideration is determined after arm’s length negotiations between the Purchaser and the Vendor with reference to (i) the amount of the Sale Debt; and (ii) the preliminary valuation of the Property of RMB1,241 million as at 30 September 2023 by an independent valuer by market comparison approach.

## **Conditions precedent**

Completion is conditional upon the fulfillment of the following Conditions (unless otherwise waived by the Purchaser) on or before the Long Stop Date:

1. SCE CM having obtained the necessary approval in relation to the SPA and all the transactions contemplated thereunder and all other relevant documents thereto from the SCE CM Independent Shareholders in an extraordinary general meeting to be convened; and
2. up to the Completion Date, all representations, warranties or undertakings given by the Vendor under the SPA remaining true and accurate in all material aspects and are not misleading.

Condition (1) is not waivable. The Purchaser may in its absolute discretion waive Condition (2) by notice in writing to the Vendor.

If one or more of the conditions precedent are not satisfied or waived (as the case may be) on or before the Long Stop Date, the SPA shall lapse and, unless otherwise agreed in the SPA, each of the parties shall be released from its obligations and responsibilities thereunder, except for any antecedent breaches.

## **Completion**

The Completion shall take place on the Completion Date.

Upon Completion, each member of the Target Group will become an indirect wholly-owned subsidiary of SCE CM and the financial results, assets and liabilities of the Target Group will be consolidated in the consolidated financial statements of SCE CM Group. While each of the members of the Target Group will become an indirect non-wholly-owned subsidiary of China SCE and will continue be consolidated in the consolidated financial statements of China SCE Group upon Completion, China SCE's effective interest in the Target Group will be reduced from 100% to approximately 64.52%.

On Completion Date, Zhongjun CM shall take assignment of Sale Debt and become the creditor of Taiteng Real Estate for the Sale Debt, and the Sale Debt will no longer be owed to Junhui Real Estate by Taiteng Real Estate.

## **INFORMATION ON THE PARTIES**

### **Information on the Purchaser and SCE CM Group**

The Purchaser is a wholly-owned subsidiary of SCE CM and is an investment holding company. SCE CM Group is principally engaged in the provision of property management services and commercial operational services in the PRC.

### **Information on the Vendor and China SCE Group**

The Vendor is a wholly-owned subsidiary of China SCE and is an investment holding company. China SCE Group is principally engaged in property development, operation of shopping malls, offices and long-term rental apartments businesses in the PRC.

### **Information on the Target Group**

The Target Company is a limited company incorporated in the British Virgin Islands and is a direct wholly-owned subsidiary of the Vendor, principally engaged in investment holding. The Target Company wholly-owns Cheer Fantasy Investment Limited, a limited company incorporated in Hong Kong principally engaged in investment holding, which in turn wholly-owns Taiteng Real Estate, a limited liability company established in the PRC principally engaged in the holding of the Property which is also its principal asset.

## Financial information of the Target Group

Set out below are the summary of the unaudited consolidated accounts of the Target Group for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023:

	<b>For the six months ended 30 June 2023 RMB</b>	<b>For the financial year ended 31 December</b>	
		<b>2022 RMB</b>	<b>2021 RMB</b>
Revenue	9,136,193	—	—
Profit/(loss) before tax for the period/years	85,420,586	(70,388)	(20,891)
Profit/(loss) after tax for the period/years	64,064,215	(70,388)	(20,891)

As at 30 June 2023, the unaudited net asset value of the Target Group was approximately RMB64 million, which mainly represented valuation gain of the Property.

## Information of the Property

The Property is an outlet-based shopping mall complex erected on a parcel of land located at No. 8, Xincheng East Street, Mentougou District, Beijing, the PRC covering a site area of approximately 26,900 square metres which has five above ground storey and one basement level under ground covering a total gross floor area of approximately 78,500 square metres, and its underlying land use rights are valid until 11 March 2059 and are for commercial use.

The original land acquisition, construction and development cost of the Property incurred by Junhui Real Estate was approximately RMB1.4 billion.

## FINANCIAL EFFECT OF THE TRANSACTION

### China SCE

Upon Completion, China SCE's effective interest in the Target Group will be reduced from 100% to approximately 64.52%. As such, the percentage of share of the Target Group's results and net assets attributable to owners of China SCE will be reduced. Given that the financial results of Target Group will remain consolidated in the consolidated financial statements of China SCE and its subsidiaries, it is expected that no gain or loss will be recorded in the consolidated statement of profit or loss of China SCE and its subsidiaries immediately after the Completion.

The proceeds to be received from the Transaction are intended to be applied for property development by China SCE Group.



## SCE CM

Upon Completion, SCE CM Group will have acquired 100% interest in the Target Group and the financial results of the Target Group will be consolidated in the consolidated financial statements of SCE CM Group.

### CHANGE IN USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING OF SCE CM

As disclosed in the financial reports published by SCE CM since the Listing and as at the date of this joint announcement, the Net Proceeds of HK\$1,018.8 million that was allocated for “Strategic Acquisitions and Investments in Other Property Management Companies and Service Providers” has remained unused. For the reasons elaborated in the paragraph headed “Reasons and Benefit for the Transaction and Change of Use of Proceeds from Initial Public Offering of SCE CM” below, the SCE CM Board has resolved to reallocate the unutilised Net Proceeds as follows:

<b>Intended use of Net Proceeds</b>	<b>Initial allocation for Net Proceeds (HK\$ million)</b>	<b>Utilised Net Proceeds as at the date of this joint announcement (HK\$ million)</b>	<b>New allocation for unutilised Net Proceeds (HK\$ million)</b>	<b>Expected timeline for utilising the unutilised Net Proceeds</b>
Strategic acquisitions and investments in other property management companies and service providers	1,018.8	—	—	—
Consideration for the Transaction	—	—	1,018.8	By 31 December 2023
Investment in technology	509.4	31.1	478.3	By 31 December 2025
Expand businesses along the value chain and diversify the types of value-added services	203.7	28.7	175.0	By 31 December 2025
Attract, develop and retain talents	101.9	101.9	—	—
General business purposes and as working capital	203.7	203.7	—	—
<b>Total</b>	<b><u>2,037.5</u></b>	<b><u>365.4</u></b>	<b><u>1,672.1</u></b>	

### REASONS AND BENEFIT FOR THE TRANSACTION AND CHANGE OF USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING OF SCE CM

The Transaction was driven by the desire of SCE CM to expand its business into operating commercial properties in the midst of a downturn in the property management industry and generate greater profitability for the SCE CM Shareholders. After the listing of SCE CM in July 2021, there was a downturn in the real estate industry since around late 2021, and the downturn in the property management industry which was closely associated with the real estate industry followed soon after. The suspension of land acquisition by China SCE Group



in turn reduced the opportunities in property management for SCE CM Group, and thus the business development and future prospects of SCE CM Group has been significantly impacted, resulting in a material drop in the net profit of SCE CM Group for the year ended 31 December 2022.

As disclosed in the Prospectus, SCE CM allocated 50% of the Net Proceeds to “Strategic Acquisitions and Investments in Other Property Management Companies and Service Providers”, which was intended to implement one of SCE CM’s strategies as described in the paragraph headed “Business — Our Strategies” in the Prospectus, namely to solidify its market position through organic growth, strategic acquisitions, and support from China SCE Group (the “**Strategy**”). As disclosed in the financial reports published since the listing of SCE CM and as at the date of this joint announcement, such Net Proceeds allocated has remained unused. The decision to allocate a relatively large proportion of Net Proceeds to further the Strategy was that according to the market research conducted by the industry expert engaged in preparation for Listing, there were over 650 commercial property management service providers that met SCE CM’s selection criteria of having a total GFA under management of at least 0.5 million square metres, and an annual revenue of at least RMB20.0 million and over 1,400 residential property management service providers that met SCE CM’s selection criteria of having a total GFA under management of at least 1.0 million square metres, and an annual revenue of at least RMB10.0 million. Given the thriving real estate and property management market at that time, the amount of the Net Proceeds allocated for the purpose of acquisitions was fair and reasonable in order for the SCE CM to acquire a sufficiently profitable company of a good quality. According to a research report published in 2020, from the studies of the property management companies listed in Hong Kong from 2019, the proportion of proceeds from listing applied to acquisitions and strategic investment was in the range of 60% to 70%. The then SCE CM Board also believed that acquisitions would lead to faster business growth when compared to other uses of the Net Proceeds such as offering more types of value-added services and adopting better IT systems. Therefore, despite there were no specific investment target identified, given the large number of suitable target companies available at that time and that a substantial amount was required to make a meaningful acquisition, 50% of the Net Proceeds were allocated for implementation of the Strategy.

It was stated in the Prospectus that under the Strategy, SCE CM Group intended to focus on its strength as a comprehensive property management service provider and it planned to pursue strategic acquisition or joint venture opportunities to further expand its business. The primary purpose of the Strategy was to broaden its property portfolio, complement current services, and enhance operational efficiency. Under the Strategy, the acquisition targets are not limited to property management companies and service companies (the “**Original Targets**”). However, at the time of preparation for Listing, given the thriving real estate and property management market, the then SCE CM Board prioritised the focus of acquisitions pursuant to the Strategy on the Original Targets.

SCE CM commenced search for potential acquisition targets soon after Listing and kicked off negotiations with four Original Targets (two engaged in residential property management and the other two engaged in commercial property management), which were parties independent from SCE CM and its connected persons, and evaluated the acquisition

proposals offered by them which include the basic financials and portfolio of properties under management and the proposed sale price. Despite the management of SCE CM had made efforts to explore the possibilities of acquiring Original Targets among those that could meet the selection criteria set by SCE CM in the Prospectus, in the context of an overall market downturn which was unexpected of at the time of preparation for Listing, it was found that the Original Targets typically had a high price-to-earnings (“P/E”) ratios, low rent collection rates, low occupancy rates, poor physical condition of properties and uncertainties to the pipeline of property management opportunities:

	<b>Negotiation timeline</b>	<b>Reasons for termination of negotiation</b>
Company A (a residential property management company)	SCE CM approached Company A in early August 2021 and terminated negotiation by the end of September 2021 after conducting due diligence.	The sale price proposed by Company A was too high in relation to its then profitability and was considered to be out of the expected range by SCE CM management. Moreover, Company A has been loss-making at that time, which required subsequent improvement in the business efficiency in order to achieve profitability.
Company B (a residential property management company)	SCE CM approached Company B in early September 2021 and terminated negotiation by the end of September 2021 after conducting due diligence.	The sale price proposed by Company B was too high and amounted to a P/E ratio of approximately 21x, which was considered to be out of the expected range by SCE CM management.
Company C (a commercial property management company)	SCE CM approached Company C in October 2021 and conducted due diligence and negotiation from October 2021 to November 2021. Negotiation was terminated by SCE CM in December 2021.	From the due diligence it was found that most of the projects under Company C was properties under construction, and the quality of the properties in operation was no satisfactory e.g. there were low occupancy rate, low rent collection rate and poor physical condition of properties, which cast uncertainties in the future development of Company C. Further, the sale price proposed by the vendor was also too high and amounted to a P/E ratio of approximately 34x, which was considered to be out of the expected range by SCE CM management.
Company D (a commercial property management company)	SCE CM started negotiation with Company D in December 2021. The negotiation was halted because of the pandemic and later resumed in June 2022. Negotiation was terminated by SCE CM in August 2022.	The sale price proposed by Company D was too high and amounted to a P/E ratio of approximately 29x, which was considered to be out of the expected range by SCE CM management. Given the large scale of Company D and its high proposed sale price, SCE CM management decided to terminate the negotiation to focus its resources on SCE CM’s development strategy.

After Listing in July 2021, SCE CM planned to gradually approach various Original Targets to commence negotiations, and initially it only approached Companies A to D above by the end of 2021 due to limited resources for due diligence and negotiations. However, as the negotiations went on, the real estate and property management market started to go into a downturn in late 2021, and SCE CM decided not to approach the other Original Targets before there were constructive results in the then ongoing negotiations and any clear improvement in the property market. The downturn in the industry further worsened in 2022, together with the large-scale outbreak of COVID-19 in the PRC. As a result, there was uncertainty in the business prospects of each of the potential Original Targets. Due to the reasons above, SCE CM eventually terminated the negotiations with Companies A to D, and as no new negotiation process with any new Original Target was initiated due to the worsening market, SCE CM had therefore been unable to acquire any Original Targets using the Net Proceeds allocated.

Anticipating a continued slowdown in the property management industry, with no sufficiently profitable opportunities for acquisition of Original Targets available in the market, and the limited returns available from depositing idle cash (which mainly consists of the unused Net Proceeds) in banks, in early 2023, SCE CM Directors decided that the plan to acquire the Original Targets were no longer the most suitable way of furthering the Strategy and SCE CM had to commence search for other types of acquisition targets to utilise the unused Net Proceeds to foster business growth.

In the search for new types of acquisition targets, SCE CM reviewed various market research reports which revealed potential in Outlet-based Shopping Mall Operation. The research reports showed that there has been a stable increase in the number of outlet-based shopping malls in the recent years and there were a surplus of unsold off-season goods after the pandemic which could be sold in outlet-based shopping malls. SCE CM management further observed that the scale of the outlet business has continued to grow in the past decade. In the post-pandemic era, the outlet business is in line with the consumer trend of spending more rationally and pursuing good value for money. The outlet business has entered into a phase of rapid development. According to one of the research reports, the total number of outlet-based shopping malls with a commercial area of more than 10,000 square metres in operation in the PRC significantly increased from a few dozen as at 31 December 2012 to hundreds as at 31 December 2022, and the total sizes of outlets nearly increased sevenfold from 31 December 2012 to 31 December 2022. The expansion to Outlet-based Shopping Mall Operation also synergies with the existing operations of SCE CM and makes an overall strategic fit. The existing staff of SCE CM could leverage their experience in property management in Outlet-based Shopping Mall Operation.

SCE CM commenced negotiations with various acquisition targets holding outlet-based shopping malls that have met SCE CM's selection criteria of having total GFA of at least 50,000 square metres and are part of a chain (連鎖式) which were parties independent from SCE CM and its connected persons, and also China SCE:

	<b>Negotiation timeline</b>	<b>Reasons for termination of negotiation</b>
Company E	SCE CM started negotiating with Company E in early 2023 and subsequently terminated negotiation in June 2023.	The sale price proposed by Company E was too high and was considered to be out of the expected range by SCE CM management. The outlet held by Company E was also too old as it has been in operation since 2003.
Company F	SCE CM started negotiating with Company F in early 2023 and subsequently terminated negotiation in June 2023.	The outlet held by Company F was too old as it has been in operation since 2012. The location of the outlet was not ideal for an outlet-based shopping mall as well.
Company G	SCE CM started negotiating with Company G in early 2023 and subsequently terminated negotiation in June 2023.	The sale price proposed by Company G was too high and was considered to be out of the expected range by SCE CM management.
China SCE	SCE CM started negotiating with China SCE in early 2023 and decided to acquire the Property in June 2023.	N/A

Having explored various acquisition targets, and after negotiation with China SCE and conducting due diligence such as evaluating the feasibility of operating outlet-based shopping malls by SCE CM, reviewing the location and target customers' demand, assessing the size and value, and analysing its future prospects and expected income, in line with the Strategy, SCE CM ultimately identified the Target Company through Taiteng Real Estate which holds the Property as the most suitable acquisition target to expand its property portfolio and utilise its property management capabilities.

The Property under the Transaction is the only outlet-based shopping mall complex which has commenced operation out of all the shopping malls of China SCE Group, and the transaction terms are more favourable to SCE CM than those offered by other potential targets holding outlet-based shopping malls. The occupancy rate of the Property as at 30 June 2023 is 100%. The rental income for the period since when the Property started generating rental income in March to August 2023 was approximately RMB12.1 million, and by annualising such income, the estimated total rental income for a 12-month period is expected to be approximately RMB35.2 million (excluding the effect of rent-free period). Dividing such estimated rental income for a 12-month period by the Consideration, the rate of return is expected to be approximately 3.2%. The occupants of the Property currently consists of approximately 200 shops which have entered into tenancy agreements of one to 15 years. With the desirable qualities of the Property and the good prospects of expansion

into Outlet-based Shopping Mall Operation, the SCE CM Board decided to utilise the idle cash for the Transaction, which entails a steady stream of rental income with growth potential for the SCE CM Group.

Having entered into the SPA which allows SCE CM to expand its business to Outlet-based Shopping Mall Operation through the ownership and operation of the Property, after Completion, SCE CM will actively deploy its existing resources and expertise in property management to the operation of the Property with the view of achieving growth in rental income, a stable occupancy rate and rent collection rate as soon as possible. Looking forward, SCE CM plans to continue acquiring similar outlet-based shopping malls in the future after it accumulates experience in Outlet-based Shopping Mall Operation and grows its assets through the Transaction which could pave ways for more financing opportunities. While expanding to Outlet-based Shopping Mall Operation, SCE CM will continue its existing businesses and has no intention, understanding, negotiation, arrangement, agreement (concluded or otherwise) to downsize or cease or scale-down any of its existing businesses.

Based on the above, the SCE CM Board believes that acquiring the Target Company will allow SCE CM to achieve business growth earlier and faster than continuing the search for suitable Original Targets. The change in the use of Net Proceeds and the Transaction is therefore in the best interest of SCE CM and its shareholders.

From the perspective of China SCE, the China SCE Directors were also keen to facilitate the Transaction as the outlet-based shopping mall held by the Target Group is regarded as a non-core asset to China SCE. The sale of the Target Group fits into the plan for China SCE Group to streamline its shopping mall business and to concentrate its resources on its core businesses of real estate development and traditional shopping mall (i.e. non-outlet shopping malls) operations. In the cost of divesting this non-core asset, which would take years to operate before the costs could be recuperated, by a mere reduction of an effective interest of 35.48%, China SCE would be able to receive the Consideration soon after Completion for its allocation to expedite construction progress for its real estate development projects and enhance its existing business operations. Having considered its business priorities and the above, the China SCE Directors consider the Transaction is fair and reasonable and in the interest of China SCE and its shareholders as a whole.

Despite China SCE Group and the SCE CM Group will both be engaged in operating shopping malls after Completion, a clear delineation will be maintained. SCE CM Group will be engaged in the operation of outlet-based shopping malls while China SCE Group will focus on the operation of traditional shopping malls. Outlet-based shopping malls are typically located in areas outside city centres where public transportation is readily available, and offer off-season branded goods at a discounted pricing, while traditional shopping malls usually offer a greater variety of the latest goods and typically located either near city centres which have more accessible transportation, or in remote locations close to residential properties. The customer and cooperative modes for traditional shopping malls and outlet-based shopping malls also differ, with traditional shopping malls operators generally relying on fixed monthly rental income from tenants, while outlet-based shopping malls operators generally generate revenue from the spending from retail customers in the shops of the tenants and share a portion of such revenue with the tenants based on pre-agreed sharing ratios. As such, greater promotional efforts from the shopping mall operators



are usually directed toward outlet-based shopping malls than traditional shopping malls, and such efforts include but are not limited to periodic reviews of the marketability of the types of goods being sold and the efficiency of existing sales force.

The China SCE Directors and SCE CM Directors believe that the Transaction will enhance the scale and profitability of SCE CM Group through the expansion of business to operating commercial properties, partially offsetting the negative effects brought by the downturn in the property management industry. Additionally, SCE CM Group will be able to utilise the idle cash in a way that can stimulate the business development of SCE CM Group. Overall, the potentially improved financial performance of SCE CM Group due to the business expansion of SCE CM Group would be beneficial to SCE CM and its shareholders as a whole, including China SCE which as at the date of this joint announcement indirectly holds approximately 64.52% interest in SCE CM.

The Property has been preliminarily valued by an independent property valuer at approximately RMB1,241 million as at 30 September 2023 using market comparison approach, which is equivalent to the book value of the Property as at 30 June 2023. Considering that the aggregate value of the Sale Debt and the net asset value of the Target Group as at 30 June 2023 was approximately RMB1,288 million, the Consideration of RMB1,090 million, was determined, taking into account the fact that China SCE could obtain the proceeds more promptly instead of relying on the Property's future income, which the payback period may take several years. Despite the original land acquisition, construction and development cost of the Property incurred by Junhui Real Estate was in aggregate approximately RMB1.4 billion, in determining the amount of the Consideration, the China SCE Directors and SCE CM Directors are of the view that it is more appropriate to place emphasis on the appraised value of the Property which is based on market comparison approach, rather than the original cost incurred by Junhui Real Estate for the Property, as it is evident that the slowdown of the property market has brought down the value of the Property. Based on the above, the China SCE Directors and SCE CM Directors are of the view that the Consideration is fair and reasonable and in the interests of China SCE and SCE CM and their shareholders as a whole, respectively.

The China SCE Directors are of the view that the terms and conditions of the SPA have been agreed after arm's length negotiations among the parties, and the Transaction is fair and reasonable and in the interests of China SCE and its shareholders as a whole.

The SCE CM Directors (excluding the independent non-executive SCE CM Directors whose views will, after receiving the advice from the Independent Financial Adviser, be set out in the letter from the Independent Board Committee in the circular to be despatched to the SCE CM Shareholders) are of the view that the terms and conditions of the SPA have been agreed after arm's length negotiations among the parties, and although the Transaction is not in the ordinary and usual course of business of SCE CM, the Transaction is on normal commercial terms, fair and reasonable and in the interests of SCE CM and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

### **China SCE**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) under alternative size tests in respect of the Transaction exceed 25% but all of them are less than 75%, the Transaction constitutes a major transaction for China SCE under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, shareholders' approval for the SPA and the transactions contemplated thereunder may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the issuer were to convene a general meeting for the approval of the transaction; and (b) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

China SCE has obtained written approval for the Transaction in accordance with Rule 14.44 of the Listing Rules from China SCE Shareholders holding an aggregate of 2,120,500,000 China SCE Shares (representing approximately 50.21% of the entire issued share capital of China SCE), namely Newup Holdings Limited, East Waves Investments Limited and Keen Century Investments Limited, which hold 1,660,040,000 China SCE Shares, 230,230,000 China SCE Shares and 230,230,000 China SCE Shares, respectively, and are all companies wholly-owned by Mr. Wong Chiu Yeung (the chairman of the China SCE Board, an executive director and the chief executive officer of China SCE).

To the best of the China SCE Directors' knowledge, information and belief, having made all reasonable enquiries, no China SCE Shareholders or any of their respective close associates have any material interest in the Transaction, and therefore none of them is required to abstain from voting if China SCE were to convene a general meeting for the approval of the Transaction. As such, no general meeting will be convened for the approval of the Transaction as is permitted under Rule 14.44 of the Listing Rules.

### **SCE CM**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction exceed 25% but all of them are less than 100%, the Transaction constitutes a major transaction for SCE CM under Chapter 14 of the Listing Rules. Further, as the Vendor is a wholly-owned subsidiary of China SCE, the controlling SCE CM Shareholder indirectly holding approximately 64.52% of the issued share capital of SCE CM as at the date of this joint announcement, the Vendor is a connected person and the Transaction constitutes a connected transaction for SCE CM under Chapter 14A of the Listing Rules. Accordingly, the Transaction is subject to announcement and independent shareholders' approval requirements under the Listing Rules.



## **Board approval**

Mr. Wong Lun and Mr. Huang Youquan are directors of both China SCE and SCE CM as at the date of this joint announcement. For good corporate governance, they have abstained from voting on the board resolutions of the boards of China SCE and SCE CM approving the SPA and the transactions contemplated thereunder. None of the China SCE Directors and SCE CM Directors has a material interest in the Transaction and therefore required to abstain from voting on the board resolutions.

## **GENERAL**

### **China SCE**

China SCE has obtained written approval for the SPA and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules and therefore no general meeting will be convened for the approval of the Transaction. Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) the details of the Transaction; and (ii) other information required to be included in the circular under the requirements of the Listing Rules will be despatched on or before 20 November 2023.

### **SCE CM**

SCE CM will convene an EGM for the SCE CM Independent Shareholders to consider and, if thought fit, to approve the SPA and the transactions contemplated thereunder. The votes to be taken at the EGM in relation to the above proposed resolutions will be taken by poll.

An Independent Board Committee comprising all the independent non-executive SCE CM Directors has been established to advise the SCE CM Independent Shareholders in relation to the SPA and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the SPA and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee regarding the SPA and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the SCE CM Independent Shareholders; and (iv) notice of EGM, is expected to be despatched to the SCE CM Shareholders on or before 20 November 2023.

To the best knowledge, information and belief of the SCE CM Directors, having made all reasonable enquiries, no SCE CM Shareholder apart from Happy Scene Global Limited, which is interested in 1,248,490,946 SCE CM Shares representing approximately 64.52% of the entire issued share capital of SCE CM as at the date of this joint announcement, shall abstain from voting on the resolutions approving the SPA and the transactions contemplated thereunder.

## DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associates”	has the meaning ascribed to it under the Listing Rules
“China SCE”	China SCE Group Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (stock code: 1966), which holds approximately 64.52% of the issued share capital of SCE CM through its wholly-owned subsidiary Happy Scene Global Limited and is a controlling shareholder of SCE CM
“China SCE Board”	board of directors of China SCE
“China SCE Director(s)”	director(s) of China SCE
“China SCE Group”	China SCE and its subsidiaries, excluding the SCE CM Group
“China SCE Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of China SCE
“China SCE Shareholders”	holder(s) of the China SCE Share(s)
“Completion”	completion of the transfer of the Sale Shares and the assignment of the Sale Debt in accordance with the SPA
“Completion Date”	the day on which all conditions precedent are being fulfilled or waived (as the case may be) or any other date as agreed by the parties in writing under the SPA
“Conditions”	conditions precedent to Completion set forth under the SPA
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB1,090 million, being the consideration payable by the Purchaser to the Vendor for the Sale Shares and the Sale Debt pursuant to the terms and conditions of the SPA
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“EGM”	the extraordinary general meeting of SCE CM to be convened and held for the SCE CM Independent Shareholders to consider and, if thought fit, approve, the Transaction

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the board of directors of SCM CM, comprising of Dr. Ding Zuyu, Mr. Wang Yongping and Mr. Pang Hon Chung, being all the independent non-executive SCE CM Directors, established for the purpose of, among other things, advising the SCE CM Independent Shareholders in respect of the Transaction
“Independent Financial Adviser”	Maxa Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the appointed independent financial adviser to advise the Independent Board Committee and the SCE CM Independent Shareholders in relation to the SPA and the transactions contemplated thereunder
“Junhui Real Estate”	北京駿輝房地產開發有限公司 (Beijing Junhui Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability and is a wholly-owned subsidiary of China SCE
“Listing”	the listing of SCE CM on 2 July 2021
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2023 (or such other date as the Vendor and the Purchaser may agree in writing)
“Net Proceeds”	net proceeds from the global offering of the SCE CM Shares
“Original Targets”	the acquisition targets as described in the paragraph headed “Reasons and Benefit for the Transaction and Change of Use of Proceeds from Initial Public Offering of SCE CM” in this joint announcement
“Outlet-based Shopping Mall Operation”	the operation of outlet-based shopping malls
“PRC”	The People’s Republic of China
“Property”	the shopping mall as described in the paragraph headed “Information of the Property” in this joint announcement
“Prospectus”	the prospectus in respect of the global offering of SCE CM dated 21 June 2021

“Purchaser”	Lofty Idea Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of SCE CM
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Debt”	the aggregate unpaid consideration of RMB1,223,321,040 under commercial housing sales and purchases contracts in relation to the sale and purchase of the Property dated 27 February 2023 and 28 March 2023 entered into between Taiteng Real Estate (a member of the Target Group) and Junhui Real Estate, which was unsecured, interest-free, due and owing and shall be assigned to Zhongjun CM at Completion
“Sale Shares”	100 issued shares of the Target Company of US\$1 each, representing the entire issued share capital of the Target Company
“SCE CM”	SCE Intelligent Commercial Management Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (stock code: 606)
“SCE CM Board”	board of directors of SCE CM
“SCE CM Director(s)”	director(s) of SCE CM
“SCE CM Group”	SCE CM and its subsidiaries
“SCE CM Independent Shareholders”	shareholders of SCE CM other than Happy Scene Global Limited, an indirect wholly-owned subsidiary of China SCE, and its associates
“SCE CM Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of SCE CM
“SCE CM Shareholders”	holder(s) of the SCE CM Share(s)
“SPA”	the agreement dated 6 November 2023 entered into between the Vendor and the Purchaser in relation to the Transaction
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy”	the strategy of SCM CM as described in the paragraph headed “Reasons and Benefit for the Transaction and Change of Use of Proceeds from Initial Public Offering of SCE CM” in this joint announcement
“subsidiaries”	has the meaning ascribed to it under the Listing Rules

“Taiteng Real Estate”	北京泰騰置業有限公司 (Beijing Taiteng Real Estate Co., Ltd.*), a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Target Company
“Target Company”	Mega Time Developments Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of China SCE as at the date of this joint announcement
“Target Group”	the Target Company and its subsidiaries, namely Cheer Fantasy Investment Limited and Taiteng Real Estate
“Transaction”	(i) the acquisition by Purchaser, and the sale by the Vendor, of the Sale Shares; and (ii) the assignment of the Sale Debt from Junhui Real Estate to Zhongjun CM
“Vendor”	China SCE Assets Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of China SCE
“Zhongjun CM”	上海中駿商業管理有限公司 (Shanghai Zhongjun Commercial Management Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of SCE CM
“%”	per cent

\* For identification purpose only

By order of the board of directors of  
**China SCE Group Holdings Limited**  
**Wong Chiu Yeung**  
*Chairman*

By order of the board of directors of  
**SCE Intelligent Commercial  
Management Holdings Limited**  
**Wong Lun**  
*Chairman*

Hong Kong, 6 November 2023

*As at the date of this joint announcement, the board of directors of China SCE comprises Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok, Mr. Huang Youquan and Mr. Wong Lun as executive directors and Mr. Ting Leung Huel Stephen, Mr. Dai Yiyi and Dr. Mao Zhenhua as independent non-executive directors.*

*As at the date of this joint announcement, the board of directors of SCE CM comprises Mr. Wong Lun, Mr. Niu Wei, Mr. Sun Qiang, Mr. Zheng Quanlou and Ms. Ku Weihong as executive directors, Mr. Huang Youquan as non-executive director, and Dr. Ding Zuyu, Mr. Wang Yongping and Mr. Pang Hon Chung as independent non-executive directors.*