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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)

**(1) CONNECTED TRANSACTION IN RELATION TO
DISPOSAL OF NON-WHOLLY-OWNED SUBSIDIARIES;
AND
(2) CONTINUING CONNECTED TRANSACTIONS UNDER
ADVISORY AND OPERATIONAL SERVICE FRAMEWORK AGREEMENT,
TENANCY AGREEMENT AND
PROPERTY MANAGEMENT FRAMEWORK AGREEMENT**

(1) THE DISPOSAL

The Board is pleased to announce that on 9 September 2022 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Share Transfer Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares for a consideration of RMB56 million in accordance with the terms and conditions thereof.

As at the date of the Share Transfer Agreement, the Disposal Company was an indirect non-wholly-owned subsidiary held as to 70% by the Company through the Vendor, and the Sale Shares represented the entire equity interest held by the Group in the Disposal Company. Immediately upon Completion, the Company will cease to have any equity interest in the Disposal Company and the Disposal Group will cease to be subsidiaries of the Company.

Listing Rules Implications

As at the date of the Share Transfer Agreement, the Purchaser was ultimately beneficially owned as to 82% by Mr. Wong Chiu Yeung, the chairman of the Board, an executive Director, and a controlling Shareholder holding approximately 50.21% of the total number of issued Shares. Accordingly, the Purchaser was an associate of Mr. Wong Chiu Yeung and a connected person of the Company, and the Disposal constitutes a connected transaction under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios (as defined under rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 0.1% but all such ratios are less than 5%, and the Consideration exceeds HK\$3 million, the Disposal is subject to the announcement and annual reporting requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) THE CCT AGREEMENTS

Simultaneously upon signing of the Share Transfer Agreement, on 9 September 2022 (after trading hours), the Group and the Disposal Group, i.e. the Funlive Group, entered into the following CCT Agreements each for the term commencing on the date of Completion and ending on 31 December 2024 (both dates inclusive), such that the Group and the Funlive Group could continue to enjoy the services of each other immediately following Completion and afterwards:

- (a) the Advisory and Operational Service Framework Agreement, i.e. the framework agreement entered into between Funlive Holdings (for itself and as trustee for the benefits of its subsidiaries from time to time) as supplier and the Company (for itself and as trustee for the benefits of its subsidiaries from time to time) as customer in relation to the provision of advisory and operational services by the Funlive Group to the Group;
- (b) the Tenancy Agreement, i.e. the tenancy agreement entered into between Shanghai Junbang (an indirect wholly-owned subsidiary of the Company) as lessor and Shanghai Funlive (an indirect wholly-owned subsidiary of Funlive Holdings) as lessee in relation to the lease of certain premises by Shanghai Junbang to Shanghai Funlive for use as office premises; and
- (c) the Property Management Framework Agreement, i.e. the framework agreement entered into between the Company (for itself and as trustee for the benefits of its subsidiaries from time to time) as supplier and Funlive Holdings (for itself and as trustee for the benefits of its subsidiaries from time to time) as customer in relation to the provision of property management services by the Group to the Funlive Group.

Listing Rules Implications

Upon Completion, the Funlive Group will become subsidiaries of the Purchaser. Accordingly, given Mr. Wong Chiu Yeung's current shareholding in the Purchaser and directorship and shareholding in the Company, the Funlive Group will become associates of Mr. Wong Chiu Yeung and connected persons of the Company, and the transactions contemplated under the CCT Agreements will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the continuing connected transactions contemplated under the CCT Agreements exceed(s) 0.1% but all such ratios fall below 5%, and the relevant consideration exceeds HK\$3 million (based on the largest aggregate annual cap in respect of the continuing connected transactions contemplated under the CCT Agreements during the term thereof), such continuing connected transactions are subject to the announcement, annual review and annual reporting requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(1) THE DISPOSAL

The Board is pleased to announce that on 9 September 2022 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Share Transfer Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares for a consideration of RMB56 million in accordance with the terms and conditions thereof.

The Share Transfer Agreement

Set forth below are the major terms of the Share Transfer Agreement:

Date

9 September 2022

Parties

- (1) the Vendor as vendor
- (2) the Purchaser as purchaser

Subject Matter

Pursuant to the Share Transfer Agreement, the Vendor shall sell to the Purchaser, and the Purchaser shall purchase, the Sale Shares, representing 70% of the issued share capital of the Disposal Company.

As at the date of the Share Transfer Agreement, the Disposal Company was an indirect non-wholly-owned subsidiary held as to 70% by the Company through the Vendor, and the Sale Shares represented the entire equity interest held by the Group in the Disposal Company.

Consideration

The Consideration receivable by the Vendor from the Purchaser for the Disposal under the Share Transfer Agreement shall be RMB56 million.

The Purchaser shall pay the Consideration in cash as follows:

- (1) RMB16.8 million, representing 30% of the Consideration, shall be paid upon the signing of the Share Transfer Agreement, which shall be applied to a partial set-off of the Consideration payable by the Purchaser to the Vendor upon Completion; and
- (2) RMB39.2 million, representing the remaining 70% of the Consideration, shall be paid upon Completion.

If Completion does not take place on the Completion Date as a result of the default of the Vendor and the Share Transfer Agreement is rescinded by the Purchaser pursuant to the terms thereof, then the Vendor shall refund all amounts paid by the Purchaser pursuant to the Share Transfer Agreement.

If the Purchaser fails to pay to the Vendor any part of the Consideration in the manner set forth above, or the Purchaser fails to comply with its obligations in relation to the Completion procedures, then without prejudice to the other rights of the Vendor under the Share Transfer Agreement and any other remedy available to the Vendor, the Vendor may, by written notice to the Purchaser, terminate the Share Transfer Agreement, whereupon the Vendor shall be entitled to forfeit all amounts paid to the Vendor by the Purchaser pursuant to the Share Transfer Agreement.

The Consideration was determined after arm's-length negotiations between the Vendor and the Purchaser taking into account (a) the unaudited book value of the consolidated net assets of the Disposal Group; (b) the appraised value of the Sale Shares as at 31 August 2022 as assessed by an independent valuer using the market approach of approximately RMB50.4 million; (c) the historical financial performance of the Disposal Group; and (d) the prevailing business environments, market situation and prospects in connection with the operations of the Disposal Group.

Completion

Completion under the Share Transfer Agreement shall take place on 16 September 2022 (or such other date as the parties to the Share Transfer Agreement may agree in writing), at which the Vendor shall deliver to the Purchaser, among others, the original share certificate(s) in respect of the Sale Shares and (where applicable) duly signed letters of resignation of existing directors and secretaries of the Disposal Group.

Immediately upon Completion, the Company will cease to have any equity interest in the Disposal Company and the Disposal Group will cease to be subsidiaries of the Company.

Information about the Disposal Group

The Disposal Company is an investment-holding company incorporated in the Cayman Islands with limited liability with a share capital of US\$100. As at the date of the Share Transfer Agreement, the Disposal Company was an indirect non-wholly-owned subsidiary held as to 70% by the Company through the Vendor. The Disposal Group

consists of the Disposal Company and its subsidiaries and is principally engaged in asset investments advisory, apartments development management and lease operations management in the PRC.

Set forth below are the unaudited consolidated net profits or losses before and after tax of the Disposal Group for the two years ended 31 December 2021 and 2020:

	For the year ended 31 December 2021	For the year ended 31 December 2020
	<i>RMB million</i>	<i>RMB million</i>
Unaudited consolidated net profit/(loss) before tax	(20)	14
Unaudited consolidated net profit/(loss) after tax	(14)	11

The unaudited book value of the consolidated net assets of the Disposal Group as at 31 August 2022 was approximately RMB32 million as shown in its unaudited consolidated management accounts.

Financial Effects of the Disposal

For illustrative purpose, based on

- (i) the unaudited book value of the consolidated net assets of the Disposal Group attributable to the Sale Shares as at 31 August 2022 of approximately RMB23 million as shown in its unaudited consolidated management accounts;
- (ii) the Consideration of RMB56 million; and
- (iii) other expenses attributable to the Disposal of approximately HK\$0.3 million,

it is expected that the Group will record a gain of approximately RMB33 million in connection with the Disposal. Such a gain is non-recurring in nature and shall be recognised in the consolidated statement of profit or loss and other comprehensive income of the Group for the financial year ending 31 December 2022. The actual non-recurring gain to be recognised by the Group will be calculated by reference to the financial position of the Disposal Group as at the date of Completion and subject to audit by the auditor of the Company, and hence may be different from the above figure.

The Group intends to use the net proceeds from the Disposal to supplement its general working capital.

Upon Completion, the Disposal Group will no longer be subsidiaries of the Company. Accordingly, the assets, liabilities and financial results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group.

Information about the Group and the Vendor

The principal business activity of the Company is investment holding. The Vendor is incorporated in the BVI with limited liability as an intermediate investment-holding company directly wholly owned by the Company. The Group as a whole is principally engaged in property development, commercial management, property management and long-term rental apartments business in the PRC.

Information about the Purchaser

The Purchaser is a company incorporated in the BVI with limited liability for investment-holding purpose. As at the date of the Share Transfer Agreement, the Purchaser was ultimately beneficially owned as to (i) 82% by Mr. Wong Chiu Yeung, the chairman of the Board, an executive Director, and a controlling Shareholder holding approximately 50.21% of the total number of issued Shares; (ii) 9% by Mr. Chen Yuanlai, an executive Director, and a Shareholder holding approximately 5.93% of the total number of issued Shares; and (iii) 9% by Mr. Cheng Hiu Lok, an executive Director, and a Shareholder holding approximately 5.45% of the total number of issued Shares.

Reasons for and Benefits of the Disposal

The Group as a whole is principally engaged in property development, commercial management, property management and long-term rental apartments business in the PRC. The Disposal Group, on the other hand, is principally engaged in asset investments advisory, apartments development management and lease operations management in the PRC, which represent non-core businesses of the Group prior to the Disposal. The financial performance of the Disposal Group has not been highly satisfactory in recent financial years: as disclosed in the section headed “(1) The Disposal — Information about the Disposal Group” in this announcement, the Disposal Group recorded an unaudited consolidated net loss for the year ended 31 December 2021; based on the unaudited consolidated management accounts currently available to the Group, the Disposal Group had again recorded an unaudited consolidated net loss of approximately RMB15.7 million for the eight months ended 31 August 2022, and it is expected that the loss-making trend will continue during the remainder of the current financial year. The Directors believe that the Group’s focus and resources should preferably be placed on and dedicated to its principal businesses, and it would be advisable to dispense with those ancillary businesses that have been non-performing over an extended period of time. In addition, the Group stands to enrich its working capital with the net proceeds from the Disposal, which will serve to improve the Group’s liquidity as a property developer and provide support for development and expansion in principal areas of the Group’s business operations. The Directors are therefore of the view that the Disposal will be beneficial to the overall development of the Group from the perspectives of deployment of both management and financial resources.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Share Transfer Agreement are fair and reasonable and in the interests of the Shareholders as a whole, and the Disposal, although not in the ordinary and usual course of business of the Group, is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Listing Rule Implications

As at the date of the Share Transfer Agreement, the Purchaser was ultimately beneficially owned as to 82% by Mr. Wong Chiu Yeung, the chairman of the Board, an executive Director, and a controlling Shareholder holding approximately 50.21% of the total number of issued Shares. Accordingly, the Purchaser was an associate of Mr. Wong Chiu Yeung and a connected person of the Company, and the Disposal constitutes a connected transaction under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios (as defined under rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 0.1% but all such ratios are less than 5%, the Disposal is subject to the announcement and annual reporting requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Except for Mr. Wong Chiu Yeung (the chairman of the Board and an executive Director), Mr. Chen Yuanlai (an executive Director) and Mr. Cheng Hiu Lok (an executive Director) whose relationships with the Purchaser are set forth in the section headed "(1) The Disposal — Information about the Purchaser" in this announcement, none of the Directors and their close associates has or is deemed to have any material interest in the Share Transfer Agreement and the Disposal. Mr. Wong Chiu Yeung, Mr. Chen Yuanlai and Mr. Cheng Hiu Lok have abstained from voting on the resolutions pertaining to the Share Transfer Agreement and the Disposal at the relevant meeting of the Board.

(2) THE CCT AGREEMENTS

Simultaneously upon signing of the Share Transfer Agreement, on 9 September 2022 (after trading hours), the Group and the Disposal Group, i.e. the Funlive Group, entered into the CCT Agreements such that the Group could continue to enjoy the advisory and operational services of the Funlive Group, and lease office premises and provide property management services to the Funlive Group immediately following Completion and afterwards. Set forth below are further details of each of the CCT Agreements:

(a) The Advisory and Operational Service Framework Agreement

The details of the Advisory and Operational Service Framework Agreement are as follows:

Date: 9 September 2022 (after trading hours)

Parties: (1) Funlive Holdings (for itself and as trustee for the benefits of its subsidiaries from time to time) as supplier

(2) the Company (for itself and as trustee for the benefits of its subsidiaries from time to time) as customer

Term: Commencing on the date of Completion and ending on 31 December 2024 (both dates inclusive)

Service scope: The Funlive Group should provide the Group with the following services in respect of the Group's apartment projects under the Advisory and Operational Service Framework Agreement:

- (i) pre-development advisory and development management services, in respect of each relevant apartment development project undertaken by the Group, including profitability and investment return projections and forecasts, advice on the sizes and room arrangements of the apartments to be developed, recommendations in relation to engagement of architectural and interior design companies, advice on building and decoration standards to be adopted, and advice on project documents such as conceptual design and construction drawings;
- (ii) marketing management services, in respect of each relevant apartment project of the Group, including provision of on-site project-based sales staff, planning of and advice on marketing activities, and management of online and offline marketing channels; and
- (iii) operational management services, in respect of each relevant apartment project of the Group, including advice on positioning, budget preparation, information system services, human resource services, financial management services and lease operations management services.

Service fee: The Funlive Group shall charge the Group

- in respect of its pre-development advisory and development management services, a service fee at the rate of RMB5 million per each relevant apartment development project undertaken by the Group;
- in respect of its marketing management services, the actual costs incurred in the provision of such services, which shall be ascertained based on the breakdown to be provided on a monthly basis by the Funlive Group to the Group for review and approval; and
- in respect of its operational management services, a service fee at the rate of 5% of the revenue generated from each relevant apartment project of the Group.

provided that the service fees are subject to adjustment from time to time to make sure that the terms and conditions shall not be less favourable to the Group than those offered by Independent Third Party suppliers to the Group for provision of the same and/or comparable services from time to time.

The above pricing formulae (including the rates of the service fees) have been determined and agreed by Funlive Holdings and the Company after arm's length negotiations. In determining the pricing formulae, the Company had taken into account, among others, the market practices under which and the prevailing market rates at which service fees for the same and/or comparable services are charged, so as to ensure that the pricing formulae prescribed in the Advisory and Operational Service Framework Agreement are fair and reasonable, on normal commercial terms, and not less favourable to the Group than the pricing formulae proposed and/or the prices offered by Independent Third Party suppliers.

Individual
agreement:

Within the framework established under the Advisory and Operational Service Framework Agreement, during the term thereof, Funlive Holdings (and/or its relevant subsidiary(ies)) and the Company (and/or its relevant subsidiary(ies)) will, from time to time and as and when necessary, enter into individual agreement(s) on a per-transaction basis in respect of specific project(s) of the Group for which services of the Funlive Group are to be provided, which shall set forth the detailed and specific terms and conditions of the transactions to be conducted under the Advisory and Operational Service Framework Agreement.

The terms and conditions of all such individual agreements shall be within the ambit of the Advisory and Operational Service Framework Agreement. In case of any inconsistency, the provisions of the Advisory and Operational Service Framework Agreement shall prevail.

Annual Caps

The Directors expect that the aggregate amount of the service fees payable by the Group to the Funlive Group in connection with the services to be provided by the Funlive Group to the Group under the Advisory and Operational Service Framework Agreement will not exceed the annual caps set forth in the table below for the three years ending 31 December 2024:

	For the year ending		
	31 December	31 December	31 December
	2022 (Note)	2023	2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Annual cap	4	25	39

Note: for the period commencing on the date of Completion, i.e. 16 September 2022, and ending on 31 December 2022

The above annual caps were determined on the basis of

- (i) the historical amounts of service fees paid by the Group to the Funlive Group in connection with the same and/or comparable services provided by the Funlive Group to the Group of approximately RMB44.1 million for the year ended 31 December 2021 and RMB5.7 million for the six months ended 30 June 2022;
- (ii) in respect of pre-development advisory and development management services,
 - (a) the rate of service fee of RMB5 million per each relevant apartment development project undertaken by the Group, as provided in the Advisory and Operational Service Framework Agreement; and
 - (b) the expected numbers of relevant apartment development projects that the Group will undertake during the years ending 31 December 2022 (from the date of Completion onwards), 2023 and 2024, i.e. nil, two and four respectively;
- (iii) in respect of the marketing management services, the numbers of relevant apartment projects of the Group existing during the year ended 31 December 2021 and the six months ended 30 June 2022, i.e. 9 and 10 respectively, and the expected numbers of relevant apartment projects of the Group existing during the years ending 31 December 2022 (from the date of Completion onwards), 2023 and 2024, i.e. 10, 12 and 15 respectively; and

(iv) in respect of operational management services,

- (a) the rate of service fee of 5% of the revenue generated from each relevant apartment project of the Group, as provided in the Advisory and Operational Service Framework Agreement; and
- (b) the expected revenue in the amounts of approximately RMB58.2 million, RMB244.4 million and RMB304.7 million to be generated from the 10, 12 and 15 relevant apartment projects of the Group existing during the years ending 31 December 2022 (from the date of Completion onwards), 2023 and 2024 respectively.

(b) The Tenancy Agreement

The details of the Tenancy Agreement are as follows:

Date:	9 September 2022 (after trading hours)
Parties:	(1) Shanghai Junbang as lessor (2) Shanghai Funlive as lessee
Term:	Commencing on the date of Completion and ending on 31 December 2024 (both dates inclusive)
Premises:	6/F, No.2, SCE Plaza, Lane 1688, Shenchang Road, Minhang District, Shanghai, China
Rentable area:	1,577 square metres
Rental:	Shanghai Funlive shall pay to Shanghai Junbang a rental at the daily rate of RMB3.8 per square metre. The rental has been determined and agreed by Shanghai Junbang and Shanghai Funlive after arm's length negotiations taking into account prevailing market rates of the rentals of office premises of comparable sizes in adjacent areas or other comparable locations, so as to ensure that the rental to be charged by the Group will be fair and reasonable and on normal commercial terms.
User:	Shanghai Funlive shall use the premises as its office.

Annual Caps

The Directors expect that the annual caps in respect of the continuing connected transactions contemplated under the Tenancy Agreement, which is equivalent to the annual amount of rental payable by Shanghai Funlive to Shanghai Junbang under the Tenancy Agreement, for the three years ending 31 December 2024 are as follows:

	For the year ending		
	31 December	31 December	31 December
	2022 (Note)	2023	2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Annual cap	0.7	2.2	2.2

Note: for the period commencing on the date of Completion, i.e. 16 September 2022, and ending on 31 December 2022

The above annual caps were determined on the basis of

- (i) the historical amounts of rental paid by Shanghai Funlive to Shanghai Junbang for the lease of the premises of approximately RMB1.7 million for the year ended 31 December 2021 and RMB0.9 million for the six months ended 30 June 2022;
- (ii) the rentable area of the premises of 1,577 square metres; and
- (iii) the rental at the daily rate of RMB3.8 per square metre as provided in the Tenancy Agreement.

(c) The Property Management Framework Agreement

The details of the Property Management Framework Agreement are as follows:

Date:	9 September 2022 (after trading hours)
Parties:	(1) the Company (for itself and as trustee for the benefits of its subsidiaries from time to time) as supplier (2) Funlive Holdings (for itself and as trustee for the benefits of its subsidiaries from time to time) as customer
Term:	Commencing on the date of Completion and ending on 31 December 2024 (both dates inclusive)

Service scope: The Group should render to the Funlive Group property management services in respect of

- relevant office premises occupied by the Funlive Group, including (1) repair, maintenance and management of public areas; (2) operation, repair, maintenance and management of facilities and equipment in the public areas; (3) sanitisation, waste collection and transportation, and dredging of rainwater and sewage pipes in or from public areas and relevant sites; (4) maintenance and management of greening of public areas; (5) parking management; (6) order maintenance and keeping of safety precautions in public area; (7) management of other public affairs; and (8) management of relevant documentation; and
- relevant apartment operated by the Funlive Group, including (1) repair, maintenance and management of external public areas; (2) operation, repair, maintenance and management of facilities and equipment in external public areas; (3) sanitisation, waste collection and transportation, and dredging of rainwater and sewage pipes in or from external public areas and relevant sites; and (4) order maintenance and keeping of safety precautions in external public areas.

Service fee: The Group shall charge the Funlive Group a service fee at the monthly rate of

- RMB30 per square metre for property management services rendered in respect of relevant office premises occupied by the Funlive Group; and
- RMB1 per square metre for property management services rendered in respect of relevant apartments operated by the Funlive Group,

provided that the service fees are subject to adjustment from time to time to make sure that the terms and conditions shall not be less favourable to the Group than those offered by the Group to its Independent Third Party customers for provision of the same and/or comparable services from time to time.

The above pricing formulae (including the rates of the service fees) have been determined and agreed by the Company and Funlive Holdings after arm's length negotiations. In determining the pricing formulae, the Company had taken into account, among others, the market practices under which and the prevailing market rates at which service fees for the same and/or comparable services are charged, so as to ensure that the pricing formulae prescribed in the Property Management Framework Agreement are fair and reasonable, on normal commercial terms and not less favourable to the Group than the pricing formulae proposed and/or the prices offered to Independent Third Party customers.

Individual agreement:

Within the framework established under the Property Management Framework Agreement, during the term thereof, the Company (and/or its relevant subsidiary(ies)) and Funlive Holdings (and/or its relevant subsidiary(ies)) will, from time to time and as and when necessary, enter into individual agreement(s) on a per-transaction basis in respect of specific premises occupied by and apartments operated by the Funlive Group for which services of the Group are to be provided, which shall set forth the detailed and specific terms and conditions of the transactions to be conducted under the Property Management Framework Agreement.

The terms and conditions of all such individual agreements shall be within the ambit of the Property Management Framework Agreement. In case of any inconsistency, the provisions of the Property Management Framework Agreement shall prevail.

Annual Caps

The Directors expect that the aggregate amount of the service fees payable by the Funlive Group to the Group in connection with the services to be provided by the Group to the Funlive Group under the Property Management Framework Agreement will not exceed the annual caps set forth in the table below for the three years ending 31 December 2024:

	For the year ending		
	31 December 2022 (Note)	31 December 2023	31 December 2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Annual cap	0.4	2.0	2.6

Note: for the period commencing on the date of Completion, i.e. 16 September 2022, and ending on 31 December 2022

The above annual caps were determined on the basis of

- (i) the historical amounts of service fees paid by the Funlive Group to the Group in connection with the same and/or comparable services provided by the Group to the Funlive Group of approximately RMB1.0 million for the year ended 31 December 2021 and RMB0.6 million for the six months ended 30 June 2022;
- (ii) for property management services to be rendered in respect of relevant office premises occupied by the Funlive Group,
 - (a) the monthly rate of service fee of RMB30 per square metre, as provided in the Property Management Framework Agreement; and
 - (b) the expected area of the relevant office premises occupied by the Funlive Group during each of the years ending 31 December 2022 (from the date of Completion onwards), 2023 and 2024, i.e. 1,577 square metres; and
- (iii) for property management services to be rendered in respect of relevant apartments operated by the Funlive Group,
 - (a) the monthly rate of service fee of RMB1 per square metre, as provided in the Property Management Framework Agreement; and
 - (b) the expected area of the relevant apartments operated by the Funlive Group during the years ending 31 December 2022 (from the date of Completion onwards), 2023 and 2024, i.e. 54,414 square metres, 162,638 square metres (including apartments to be added during the year) and 162,638 square metres respectively.

Internal Control Measures

The Company has implemented the following internal control measures for monitoring the pricing and other terms of the continuing connected transactions contemplated under the CCT Agreements and for ensuring that the transactions conducted under such agreements will be entered into based on normal commercial terms:

- (1) prior to entering into an individual agreement under the Advisory and Operational Service Framework Agreement or the Property Management Framework Agreement,
 - (a) the legal department, the financial department and the operation department of the Company are responsible for negotiating the contractual terms with reference to prevailing levels of service fees charged by other suppliers and property management fees charged by the Group for comparable services. In particular, the Group will obtain quotations from at least two Independent Third Party suppliers for services comparable to those to be provided by the Funlive Group under the Advisory and Operational Service Framework Agreement, and reference will be made to the fees charged by the Group to its Independent Third Party customers and other relevant terms and conditions in at least two recent transactions for services comparable to those to be provided

by the Group under the Property Management Framework Agreement. Based on these quotations and reference terms, the Group will determine whether the rates of service fees as prescribed in the Advisory and Operational Service Framework Agreement and the Property Management Framework Agreement represent the prevailing market rates with reference to the facts and circumstances then subsisting. If there exists any material deviation, the Group may negotiate with the Funlive Group for adjustments to the rates of service fees, and individual agreements will only be entered into upon conclusion of the negotiations if the terms and conditions set out therein are not less favourable to the Group than those offered by Independent Third Party suppliers or to Independent Third Party customers (as the case may be) for provision of the same and/or comparable services under the then prevailing circumstances; and

- (b) where applicable, pricing requirements prescribed under relevant local laws and regulations and guidance prices stipulated by local authorities will also be taken into account.

The above procedures serve to ensure that the fees to be charged and other terms and conditions of the individual agreements will be in conformity with the Advisory and Operational Service Framework Agreement and the Property Management Framework Agreement, in full compliance with applicable laws and regulations, fair and reasonable, on normal commercial terms and not less favourable to the Group than those available from or to Independent Third Parties.

The financial department is responsible for the final approval of the terms of the individual agreements under the Advisory and Operational Service Framework Agreement and the Property Management Framework Agreement;

- (2) throughout the term of the CCT Agreements, the operation department and the financial department of the Company are responsible for continuous monitoring of the implementation of the Tenancy Agreement and the individual agreements under the Advisory and Operational Service Framework Agreement and the Property Management Framework Agreement. In particular, the operation department and the financial department of the Company will
 - (a) collect detailed information of the continuing connected transactions (including but not limited to the pricing terms, payment arrangements and actual transaction amounts under each of the Tenancy Agreement and the individual agreements) on a regular basis;
 - (b) monitor adherence to the terms and conditions, including the pricing terms, of the Tenancy Agreement and the individual agreements by the parties thereto;
 - (c) conduct continuous evaluation of the fairness of the terms and conditions of the Tenancy Agreement and the individual agreements and (where applicable) consistency with the principles established under the governing framework agreements; and

- (d) report relevant information, including but not limited to any deviation in the performance of the Tenancy Agreement and the individual agreements from the terms and conditions thereof, to the management of the Group and the Board for further actions in a timely manner; and
- (3) in addition, the management of the Group will perform spot checks on the implementation of the CCT Agreements and the individual agreements thereunder to ensure compliance with the terms and conditions as and when necessary.

On top of the above, the Group will also adopt the following internal control measures in respect of the continuing connected transactions contemplated under the CCT Agreements:

- (i) dedicated personnel of Group will be responsible for regular monitoring of the continuing connected transactions conducted under the CCT Agreements to ensure that the relevant annual caps will not be exceeded;
- (ii) the Company will engage its auditor to conduct an annual review of the continuing connected transactions conducted under the CCT Agreements and confirm whether such continuing connected transactions are in accordance with the pricing policies of the Group in all material respects, entered into in all material respects in accordance with the pricing terms and other terms and conditions set forth in the CCT Agreements, and within the relevant annual caps; and
- (iii) the independent non-executive Directors will review the continuing connected transactions to be entered into pursuant to the CCT Agreements on an annual basis and confirm in the annual reports of the Company for the years ending 31 December 2022, 2023 and 2024 whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the CCT Agreements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors consider that the pricing terms, together with the above internal control procedures to be carried out by the Group, suffice to ensure that the continuing connected transactions contemplated under the CCT Agreements will be conducted on normal commercial terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Reasons for the Continuing Connected Transactions

The Funlive Group is principally engaged in asset investments advisory, apartments development management and lease operations management in the PRC. While these are not at the core of the Group's businesses, the Funlive Group has been offering substantive support for the Group's principal businesses in areas such as apartments development, as the pre-development advisory and development management services, marketing management services and operational management services provided by the Funlive Group have facilitated the effective planning and execution of the Group's apartment projects. The Directors consider that it will be in the best interests of the Group to have uninterrupted access to the advisory and operational services of the Funlive Group following completion of the Disposal, such that it can continue to take advantage of the Funlive Group's competitive strength in the industry and local market experience and expertise in the relevant areas to guarantee effectual implementation of its apartments development strategies and plans.

The Funlive Group has been headquartered and conducting its office operations in premises owned by the Group. In addition, given the differences in business focus, the Funlive Group has relied on the property management services provided by the Group in respect of its office premises and apartments operated by Funlive Group. The Directors are keen to continue to provide the Funlive Group with necessary support, which will not only generate additional revenue of the Group in the form of rental income and service fees, but also avoid significant changes in or disruptions to the business operations of the Funlive Group to enable continuous and efficacious collaboration between the Group and the Funlive Group following completion of the Disposal.

The terms and conditions of the CCT Agreements were negotiated between the parties thereto on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the CCT Agreements are fair and reasonable and in the interests of the Shareholders as a whole, and the continuing connected transactions contemplated under the CCT Agreements are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Upon Completion, Funlive Holdings will be directly held as to 70% by the Purchaser, which is ultimately beneficially owned by Mr. Wong Chiu Yeung (the chairman of the Board and an executive Director), Mr. Chen Yuanlai (an executive Director) and Mr. Cheng Hiu Lok (an executive Director) as set forth in the section headed "(1) The Disposal — Information about the Purchaser" in this announcement. In addition, as at the date of the CCT Agreements, Funlive Holdings was directly held as to 11% by a company ultimately beneficially owned by Mr. Huang Youquan (an executive Director) and Mr. Wong Lun (an executive Director). Except for the above, none of the Directors and their close associates has or is deemed to have any material interest in the CCT Agreements and the transactions contemplated thereunder. Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok, Mr. Huang Youquan and Mr. Wong Lun have abstained from voting on the resolutions pertaining to the CCT Agreements and the transactions contemplated thereunder at the relevant meeting of the Board.

Information about the Group

Please refer to the section headed “(1) The Disposal — Information about the Group and the Vendor” in this announcement for a description of the principal business activities of the Group.

Information about the Funlive Group

Please refer to the section headed “(1) The Disposal — Information about the Disposal Group” in this announcement for a description of the principal business activities of the Funlive Group.

Upon Completion, Funlive Holdings will be directly held as to 70% by the Purchaser. Please refer to the section headed “(1) The Disposal — Information about the Purchaser” in this announcement for the identities of the ultimate beneficial owners of the Purchaser and of Funlive Holdings upon Completion.

Listing Rules Implications

Upon Completion, the Funlive Group will become subsidiaries of the Purchaser, which was ultimately beneficially owned as to 82% by Mr. Wong Chiu Yeung, the chairman of the Board, an executive Director, and a controlling Shareholder holding approximately 50.21% of the total number of issued Shares as at the date of the CCT Agreements. Accordingly, the Funlive Group will become associates of Mr. Wong Chiu Yeung and connected persons of the Company, and the transactions contemplated under the CCT Agreements will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the continuing connected transactions contemplated under the CCT Agreements exceed(s) 0.1% but all such ratios fall below 5%, and the relevant consideration exceeds HK\$3 million (based on the largest aggregate annual cap in respect of the continuing connected transactions contemplated under the CCT Agreements during the term thereof), such continuing connected transactions are subject to the announcement, annual review and annual reporting requirements but exempt from the circular (including independent financial advice) and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

The following terms shall have the meanings set forth below in this announcement unless the context otherwise requires:

“Advisory and Operational Service Framework Agreement”	the framework agreement dated 9 September 2022 entered into between Funlive Holdings (for itself and as trustee for the benefits of its subsidiaries from time to time) as supplier and the Company (for itself and as trustee for the benefits of its subsidiaries from time to time) as customer in relation to the provision of advisory and operational services by the Funlive Group to the Group for the term commencing on the date of Completion and ending on 31 December 2024 (both dates inclusive)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CCT Agreements”	collectively, the Advisory and Operational Service Framework Agreement, the Tenancy Agreement and the Property Management Framework Agreement
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	China SCE Group Holdings Limited (中駿集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB56 million, being the consideration payable by the Purchaser to the Vendor in connection with the Disposal under the Share Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares in accordance with the Share Transfer Agreement

“Disposal Company” or “Funlive Holdings”	Funlive Holdings Limited (方隅控股有限公司), a company incorporated in the Cayman Islands with limited liability and an indirect non-wholly-owned subsidiary held as to 70% by the Company through the Vendor as at the date of the Share Transfer Agreement
“Disposal Group” or “Funlive Group”	collectively, the Disposal Company or Funlive Holdings and its subsidiaries from time to time
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	individual(s) or company(ies) who/which, to the best of the knowledge, information and belief of the Directors having made due and careful enquiries, is(are) not connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Property Management Framework Agreement”	the framework agreement dated 9 September 2022 entered into between the Company (for itself and as trustee for the benefits of its subsidiaries from time to time) as supplier and Funlive Holdings (for itself and as trustee for the benefits of its subsidiaries from time to time) as customer in relation to the provision of property management services by the Group to the Funlive Group for the term commencing on the date of Completion and ending on 31 December 2024 (both dates inclusive)
“Purchaser”	Thriving Elite Ventures Limited (盛傑創投有限公司), a company incorporated in the BVI with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	70 shares of US\$1.00 each in the share capital of the Disposal Company, representing 70% of its issued share capital as at the date of the Share Transfer Agreement

“Shanghai Junbang”	Shanghai Junbang Trading Co., Ltd. (上海駿邦貿易有限公司), a limited company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Transfer Agreement”	the share transfer agreement dated 9 September 2022 entered into between the Vendor and the Purchaser in respect of the sale and purchase of the Sale Shares
“Shanghai Funlive”	Shanghai Funlive Apartment Management Limited (上海方隅公寓管理有限公司), a limited company established in the PRC and an indirect wholly-owned subsidiary of Funlive Holdings
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 9 September 2022 entered into between Shanghai Junbang as lessor and Shanghai Funlive as lessee in relation to the lease of certain premises by Shanghai Junbang to Shanghai Funlive for use as office premises for the term commencing on the date of Completion and ending on 31 December 2024 (both dates inclusive)
“US\$”	US dollars, the lawful currency of the United States of America
“Vendor”	Affluent Way International Limited (裕威國際有限公司), a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
China SCE Group Holdings Limited
Wong Chiu Yeung
Chairman

Hong Kong, 9 September 2022

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok, Mr. Huang Youquan and Mr. Wong Lun, and three independent non-executive Directors, namely Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi.