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## **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)**

### **MAJOR AND CONNECTED TRANSACTION LOAN TO A CONNECTED PERSON**

#### **THE LOAN AGREEMENT**

On 24 November 2022, the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower, an indirect wholly-owned subsidiary of China SCE Holdings, pursuant to which the Lender has agreed to advance to the Borrower a loan in the principal amount of up to RMB900.0 million.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Borrower is an indirect wholly-owned subsidiary of China SCE Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Loan Agreement is over 25% but all of which are less than 100%, the Loan Agreement and the transactions contemplated thereunder constitute a major and connected transaction for the Company. Accordingly, the Loan Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and circular (including independent financial advice) requirements and approval by the Independent Shareholders at the EGM under Chapters 14 and 14A of the Listing Rules.

Further, as the size of the Loan exceeds 8% of the assets ratio defined under Rule 14.07(1), the Company is subject to the general disclosure obligations under Rule 13.13 to make an announcement containing the information specified in Rule 13.15 in respect of the Loan as soon as reasonably practicable after provision of the Loan.

## **GENERAL**

The Independent Board Committee, comprising all of the independent non-executive Directors, has been formed to advise the Independent Shareholders regarding the Loan Agreement and the transactions contemplated thereunder. An Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement and the transactions contemplated thereunder.

The EGM will be convened and held by the Company to consider and, if thought fit, to approve, among other things, the Loan Agreement and the transactions contemplated thereunder. The circular containing, among other things, (i) further information on the Loan Agreement; (ii) a letter of recommendations from the Independent Board Committee in relation to the Loan Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Loan Agreement and the transactions contemplated thereunder; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 12 December 2022.

On 24 November 2022, the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower, an indirect wholly-owned subsidiary of China SCE Holdings, pursuant to which the Lender has agreed to advance to the Borrower a loan in the principal amount of up to RMB900.0 million. Set forth below are the principal terms of the Loan Agreement.

## **THE LOAN AGREEMENT**

<b>Date:</b>	24 November 2022
<b>Parties:</b>	(i) the Lender; and (ii) the Borrower.
<b>Principal amount:</b>	Up to RMB900.0 million
<b>Interest rate:</b>	7.0% per annum, accruing on the actual amount borrowed by the Borrower from the actual date of drawdown.  The interest rate of 7.0% per annum was determined after arm's length negotiations between the Lender and the Borrower with reference to (i) the five-year loan prime rate as announced by the People's Bank of China from time to time; and (ii) interest rates of existing bank loans pledged with completed properties entered into by the China SCE Group ranging from 4.2% to 6.0% per annum.
<b>Term:</b>	A fixed term commencing from the date of drawdown and ending on 31 December 2024.

**Conditions precedent:**

The Loan will become available for drawdown subject to satisfaction of the following conditions precedent:

- (1) the Loan Agreement and the transactions contemplated thereunder having been approved by the Stock Exchange and the Independent Shareholders at the EGM;
- (2) the Lender and the Borrower completing all necessary approvals, registrations, delivery, insurance and other legal formalities in respect of the Loan;
- (3) the Borrower providing details of the bank account(s) for drawdown and repayment of the Loan as requested by the Lender;
- (4) the Borrower not having been in breach of any term and condition of the Loan Agreement, and no event which may jeopardise the Lender's security over the underlying debt as stipulated in the Loan Agreement having occurred; and
- (5) no applicable laws and regulations and authorities having prohibited or restricted the Lender to advance the Loan to the Borrower.

**Repayment:**

The Borrower shall repay on 31 March, 30 June, 30 September and 31 December of each year all interests accrued as at such date, and shall repay all unpaid principal of the Loan in full together with all outstanding accrued interest, if any, upon the end of its term, i.e. 31 December 2024.

**Default interest:**

In the event the Borrower fails to repay any amount due and payable under the Loan Agreement, the Borrower shall pay, in addition to such sum, default interest equivalent to 50% of the interest rate of the Loan.

**Security:**

The Loan is secured by the Charged Assets. Pursuant to the Loan Agreement, the Borrower (or the relevant chargor) is entitled to, subject to prior consent from the Lender, sell the Charged Assets for repayment purpose or, on the condition that substitute assets have been charged to the Lender, provided that the aggregate value of the Charged Assets from time to time shall be no less than the then unpaid principal amount of the Loan divided by the LTV of 55%, for its own use.

The LTV of 55% was determined on arm's length negotiations between the Lender and the Borrower and similar to the terms of other loan agreements pledged with completed properties entered into between the China SCE Group and banks in the PRC.

In the event the Borrower defaults in repaying any amount due and payable under the Loan Agreement, the Lender shall be entitled to exercise its rights to realise the Charged Assets and the proceeds from such realisation shall be applied to repay such overdue amount.

The Charged Assets have an appraised market value of approximately RMB1,850.0 million as valued by an independent and qualified valuer, Cushman & Wakefield Limited, using income capitalisation approach as at 31 October 2022.

In addition, Xiamen Zhongjun, an indirect wholly-owned subsidiary of China SCE Holdings, will provide a corporate guarantee to the Lender as security of the Loan.

**Purpose:** For replenishing working capital.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT**

The Group has a long and stable business relationship with the China SCE Group. In 2022, both local and global capital markets have been volatile and interest rates in the PRC have been falling. While the Group is in a strong cash position, it has been taking a prudent approach in respect of investment opportunities. The Board considers that by entering into the Loan Agreement, the Group could produce extra income with its idle cash with potentially higher returns than other available options, such as bank deposits or investment products. The additional short to medium term capital under the Loan also allows the China SCE Group to accelerate the process of construction and delivery of its properties, which will in turn benefit the long-term development of the Group when it is engaged to provide property management services for such properties upon their delivery.

The Directors consider that the terms of the Loan are comparable to or better than existing bank loans pledged with completed properties entered into by the China SCE Group which (i) had longer terms ranging from three to fifteen years; (ii) had lower interest rates ranging from 4.2% to 6.0% per annum; and (iii) were secured by completed properties owned by the China SCE Group with similar LTV requirements. Upon reviewing the aforementioned comparable existing bank loans of the China SCE Group, the Directors consider that the interest rate of the Loan of 7.0% per annum is fair and reasonable and on normal commercial terms or better, which is consistent with market practice and favourable to the Group.

The Directors have also assessed the repayment capability of the Borrower by reviewing the financial statements and management accounts of the Borrower and the China SCE Group. According to the annual report of China SCE Holdings for the year ended 31 December 2021, the audited revenue of the China SCE Group and profit attributable to owners of the company for the year ended 31 December 2021 amounted to approximately RMB37,737.4 million and RMB3,070.0 million, respectively. According to the interim report of China SCE Holdings for the six months ended 30 June 2022, the unaudited net assets attributable to owners of the company of the China SCE Group as at 30 June 2022 amounted to approximately RMB21,799.7 million. In addition, having reviewed the financial information published by China SCE Holdings, the Directors are not aware of any material adverse changes in the operations and financial condition of the China SCE Group, including the Borrower, which would materially impair its ability to fulfil its repayment obligations under the Loan Agreement as at the date of this announcement. Based on the above, the Directors consider that the Borrower has sound creditworthiness as at the date of this announcement. Further, in view of the fact that the Loan is secured by the Charged Assets with an appraised market value of over twice the principal amount under the Loan in addition to the corporate guarantee given by Xiamen Zhongjun, the Directors are of the view that the risk of the Borrower failing to repay the Loan in full is relatively low.

The Loan will be funded by internal resources of the Group and will not be funded by the proceeds from the global offering of the Shares. The finance department of the Company shall closely monitor and prudently manage its operating cashflows and overall working capital requirements, and report to the senior management of the Company on a regular basis, who would act accordingly in a timely manner with an aim to ensure that the Company has sufficient working capital to fund its operations after the provision of the Loan.

After taking into account (a) the Group's strong cash position, with cash and cash equivalents of approximately RMB2,927.7 million as at 30 June 2022, as disclosed in the interim report of the Company for the six months ended 30 June 2022; (b) that the Group did not incur any borrowings or pledge of its property and equipment for borrowing as at 30 June 2022, as disclosed in the interim report of the Company for the six months ended 30 June 2022; (c) the expected financial position, financial performance and working capital of the Group for the next 12 months after provision of the Loan; (d) that the Loan is secured by the Charged Assets with an appraised market value of over twice the principal amount under the Loan in addition to the corporate guarantee given by Xiamen Zhongjun; and (e) the aforementioned measures to be taken by the Company to ensure its sufficiency of working capital, the Directors are of the view that the Company has sufficient working capital for the next 12 months after provision of the Loan.

For the above reasons, the Directors (excluding the independent non-executive Directors whose views will be expressed after obtaining the advice from the Independent Financial Adviser) are of the view that the terms of the Loan Agreement are arrived at after arm's length negotiations among the Lender and the Borrower, on normal commercial terms or better, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE PARTIES TO THE LOAN**

### **The Lender and the Group**

The Lender is principally engaged in the provision of commercial operational services in the PRC and is indirectly wholly-owned by the Company.

The Group is principally engaged in the provision of property management services and commercial operational services in the PRC.

### **The Borrower, China SCE Holdings and the China SCE Group**

The Borrower is principally engaged in investment holding and trading of construction materials in the PRC and is indirectly wholly-owned by China SCE Holdings.

China SCE Holdings is a company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 1966). The China SCE Group is principally engaged in property development, operation of shopping malls, offices and long-term rental apartments businesses in the PRC.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Borrower is an indirect wholly-owned subsidiary of China SCE Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Loan Agreement is over 25% but all of which are less than 100%, the Loan Agreement and the transactions contemplated thereunder constitute a major and connected transaction for the Company. Accordingly, the Loan Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and circular (including independent financial advice) requirements and approval by the Independent Shareholders at the EGM under Chapters 14 and 14A of the Listing Rules.

Further, as the size of the Loan exceeds 8% of the assets ratio defined under Rule 14.07(1), the Company is subject to the general disclosure obligations under Rule 13.13 to make an announcement containing the information specified in Rule 13.15 in respect of the Loan as soon as reasonably practicable after provision of the Loan.

## **GENERAL**

The Independent Board Committee, comprising all of the independent non-executive Directors, has been formed to advise the Independent Shareholders regarding the Loan Agreement and the transactions contemplated thereunder. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement and the transactions contemplated thereunder.

The EGM will be convened and held by the Company to consider and, if thought fit, to approve, among other things, the Loan Agreement and the transactions contemplated thereunder. Voting at the EGM will be conducted by way of poll. As at the date of this announcement, Happy Scene Global Limited, an indirect wholly-owned subsidiary of China SCE Holdings, holds 1,248,490,946 Shares, representing approximately 60.17% of the entire issued share capital of the Company. As such, Happy Scene Global Limited, its close associates and any Shareholder who has material interest in the Loan Agreement and the transactions contemplated thereunder shall abstain from voting on the resolution(s) to be proposed at the EGM to approve the Loan Agreement and the transactions contemplated thereunder. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder had a material interest in the Loan Agreement and the transactions contemplated thereunder, and accordingly, no other Shareholder would be required to abstain from voting at the EGM.

A circular containing, among other things, (i) further information on the Loan Agreement; (ii) a letter of recommendations from the Independent Board Committee in relation to the Loan Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Loan Agreement and the transactions contemplated thereunder; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 12 December 2022.

## **DEFINITIONS**

“Board”	the board of Directors
“Borrower”	Shanghai Zhongjun Property Co., Ltd.* (上海中駿置業有限公司), a limited liability company established under the laws of the PRC on 19 September 2016 and an indirect wholly-owned subsidiary of China SCE Holdings
“Charged Assets”	assets of the China SCE Group, including five commercial properties such as shopping malls, offices, retail shop units and car parking spaces in the PRC with an aggregated gross floor area of approximately 207,480 square metres to be charged by the China SCE Group in favour of the Lender pursuant to the Loan Agreement as security for the Loan
“China SCE Holdings”	China SCE Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 30 November 2007, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1966), and a controlling shareholder of the Company
“China SCE Group”	China SCE Holdings and its subsidiaries but excluding the Group
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

“Company”	SCE Intelligent Commercial Management Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 August 2019, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 606)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held for the purpose of, among other things, considering and, if thought fit, approving the Loan Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Dr. Ding Zuyu, Mr. Wang Yongping and Mr. Pang Hon Chung, to advise the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	An independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM for the relevant resolution with respect to the Loan Agreement and the transactions contemplated thereunder
“Lender”	Shanghai China SCE Commercial Management Co., Ltd* (上海中駿商業管理有限公司), a limited liability company established under the laws of the PRC on 18 November 2013 and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the principal amount of up to RMB900.0 million advanced by the Lender to the Borrower pursuant to the Loan Agreement

“Loan Agreement”	the loan agreement dated 24 November 2022 entered into between the Lender as lender and the Borrower as borrower in relation to the Loan
“LTV”	loan-to-value ratio, calculated by dividing the loan amount by the value of collaterals provided for such loan
“PRC”	the People’s Republic of China and, for the purposes of this announcement only, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiamen Zhongjun”	Xiamen Zhongjun Industrial Co., Ltd.* (廈門中駿集團有限公司), a limited liability company established under the laws of the PRC on 28 January 2003 and an indirect wholly-owned subsidiary of China SCE Holdings
“%”	per cent

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

Hong Kong, 24 November 2022

*As at the date of this announcement, the Board of Directors of the Company 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, Dr. Ding Zuyu, Mr. Wang Yongping and Mr. Pang Hon Chung as independent non-executive Directors.*

\* *For identification purpose only*