THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **SCE Intelligent Commercial Management Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

中駿商管

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

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

邁時資本
MAXA CAPITAL

A notice convening the EGM to be held at R2, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 30 December 2022 at 3:00 p.m. is set out on pages 37 to 38 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e., at or before 3:00 p.m. on Wednesday, 28 December 2022 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spread of the COVID-19 pandemic at the EGM venue, the following precautionary measures will be implemented at the EGM:

1. compulsory body temperature checks on each attendee;
2. compulsory health declaration by each attendee;
3. compulsory wearing of a surgical face mask by each attendee;
4. physical distancing at the venue; and
5. no distribution of refreshments or drinks, or corporate gifts or gift coupons.

Please see page 2 of this circular for further details of the above precautionary measures. Any person who, among other things, does not comply with the precautionary measures or is subject to any quarantine prescribed by the Hong Kong Government will be denied entry to the EGM venue. The Company reminds the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

12 December 2022

CONTENTS

Page

Definitions ii

Letter from the Board

Introduction 1

Precautionary measures for the EGM 2

The Loan Agreement 3

Reasons for and benefits of entering into the Loan Agreement 5

Financial effects of the Loan Agreement 8

Information on the parties to the Loan 9

Listing Rules implications 9

EGM 10

Recommendation 10

Further information 10

Letter from the Independent Board Committee 11

Letter from the Independent Financial Adviser 13

Appendix I — Financial Information 31

Appendix II — General Information 32

Notice of EGM 37

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"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"	completed properties 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 Group"	China SCE Holdings and its subsidiaries but excluding the Group
"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
"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)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held at R2, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 30 December 2022 at 3:00 p.m. for the purpose of, among other things, considering and, if thought fit, approving the Loan Agreement and the transactions contemplated thereunder, the notice of which is set out on pages 37 to 38 of this circular, and any adjournment thereof

"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"	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 independent financial adviser 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
"Latest Practicable Date"	9 December 2022, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"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, as amended from time to time
"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 Ratio"	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 circular 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the 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

* *For identification purpose only*

中駿商管

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)

Executive Directors:
Mr. Wong Lun *(Chairman)*
Mr. Niu Wei
Mr. Sun Qiang
Mr. Zheng Quanlou
Ms. Ku Weihong

Non-executive Director:
Mr. Huang Youquan

Independent non-executive Directors:
Dr. Ding Zuyu
Mr. Wang Yongping
Mr. Pang Hon Chung

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal place of business and head office in the PRC:
5/F, SCE Tower
No. 2, Lane 1688, Shenchang Road
Hongqiao Business District, Shanghai
The PRC

Principal place of business in Hong Kong:
Room 2801, Hysan Place
500 Hennessy Road, Causeway Bay
Hong Kong

12 December 2022

To the Shareholders

Dear Sir or Madam

MAJOR AND CONNECTED TRANSACTION
LOAN TO A CONNECTED PERSON

INTRODUCTION

Reference is made to the announcement of the Company dated 24 November 2022 in relation to the Loan Agreement and the transactions contemplated thereunder which constitutes a major transaction under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further information on the Loan Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required to be contained in this circular under the Listing Rules.

PRECAUTIONARY MEASURES FOR THE EGM

In the light of the continuing risks posed by the Coronavirus Disease 2019 ("**COVID-19**") pandemic, the Company is adopting the following precautionary measures at the EGM in order to safeguard the health and safety of the Shareholders who might be attending the EGM in person:

1. compulsory temperature checks will be carried out on every attendee at the entrance of the venue of the EGM. Any person with a body temperature above 37.4 degrees Celsius or the reference point announced by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry to and requested to leave the venue of the EGM;

2. every attendee will be asked to declare his/her history of travelling outside Hong Kong within the 21-day period immediately preceding the EGM, if any; and the quarantine(s) prescribed by the Hong Kong Government that he/she is subject to, if any. Anyone with such a travel history and/or subject to any such quarantine will be denied entry to and requested to leave the venue of the EGM;

3. every attendee will be required to wear a surgical face mask at the venue of the EGM and throughout the EGM. Please note that no surgical face masks will be provided at the venue of the EGM and attendees should bring and wear their own masks;

4. every attendee will be required to sit at an appropriate distance from the other attendees at the venue of the EGM and throughout the EGM; and

5. no food, drink or corporate gift or gift coupon will be provided to the attendees at the EGM.

To the extent permitted under the law, the Company reserves the right to deny entry to the venue of the EGM or require any person to leave the venue so as to ensure the health and safety of the other attendees at the EGM.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the websites of the Company (www.sce-icm.com) and the Stock Exchange (www.hkexnews.hk) for further announcements and updates on the EGM arrangements.

Voting by proxy in advance of the EGM: The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights to vote, but is conscious of the pressing need to protect the Shareholders from any possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company encourages Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising the voting rights of the Shareholders.

The deadline for submission of completed proxy forms is not less than 48 hours before the time appointed for the holding of the EGM, which is 3:00 p.m. on Wednesday, 28 December 2022 (Hong Kong time). In order to be valid, the completed proxy forms must be returned to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, in accordance with the instructions printed on it at or before the deadline.

Appointment of proxy by non-registered Shareholders: Non-registered Shareholders whose Shares are held through banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited should consult directly with their banks, brokers or custodians (as the case may be) for assistance in the appointment of proxies.

If Shareholders have any questions relating to the EGM, please contact the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, whose details are as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Website: www.computershare.com/hk/contact
Telephone number: 2862 8555
Facsimile number: 2865 0990

THE LOAN AGREEMENT

Date:	24 November 2022
Parties:	(i) the Lender; and
	(ii) the Borrower.
Principal amount:	Up to RMB900.0 million
Interest rate:	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, which as at the Latest Practicable date was 4.3% per annum; and (ii) interest rates of 15 existing bank loans entered into by the China SCE Group pledged with completed properties ranging from 4.2% to 6.0% per annum.

Term: 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.

None of the conditions above can be waived. As at the Latest Practicable Date, none of the conditions had been fulfilled.

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 which are all of first charge and currently have an appraised market value of approximately RMB1,850.0 million as at 31 October 2022 as valued by an independent and qualified valuer, Cushman & Wakefield Limited, using income capitalisation approach on the basis of capitalisation of rental derived from the existing tenancies with due allowance for reversionary rental potential of Charged Assets. Based on such appraised market value as at 31 October 2022, the LTV Ratio was approximately 48.6% as at the Latest Practicable Date.

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 maximum LTV Ratio of 55%, for its own use.

The maximum LTV Ratio 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, and, given the volatile property market, provides room for fluctuation of market value for the Charged Assets during the term of the Loan.

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.

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 have negotiated the terms of the Loan with reference to those of 15 existing bank loans entered into by the China SCE Group with commercial banks in the PRC that have the common feature of the pledge of completed properties. In selecting the loans for reference, the Directors placed importance on including only bank loans which involve the pledge of completed properties as the Directors believe that completed properties generally carry lower risk than properties under construction. As a result, these 15 existing bank loans represent the exhaustive list of the existing bank loans entered into by the China SCE Group with commercial banks in the PRC that require pledge of completed properties as security. These existing bank loans could provide a useful range of key terms such as lengths of term, interest rates, maximum LTV Ratios and default interest rates for the Directors to make reference to in deciding the suitable terms for the Loan. The Directors consider that it is appropriate to make reference to these bank loans since the terms of bank loans are generally decided by the banks which would thoroughly consider factors such as credit record, background and default risks of borrowers and impose appropriate requirements to secure the repayment of the borrower and minimise the risks to the banks. The Directors are of the view that the interests of the Company and its Shareholders would be adequately protected if the terms of the Loan could be in line with or exceed the stringent standard of the financial institutions.

The Directors consider that the terms of the Loan are comparable to or better than those of the 15 existing bank loans of the China SCE Group in terms of (i) having a shorter term of two years as compared with the longer terms of the 15 existing bank loans of three to 15 years; (ii) having a higher interest rate of 7.0% per annum as compared with the interest rates of the 15 existing bank loans of 4.2% to 6.0% per annum; (iii) being similarly secured by completed properties owned by the China SCE Group instead of properties under construction; (iv) requiring a maximum LTV Ratio of 55% to be maintained which is within the range of maximum LTV Ratios derived from the four existing bank loans that have such requirement imposed of 45% to 55%; (v) requiring a default interest of 50% of the interest rate of the Loan in case of failure to repay which is at the higher end of the range of default interests of the 15 existing bank loans of 30% to 50%; and (vi) requiring quarterly payment of interests which is a common interest payment term of the 15 existing bank loans which generally require either monthly or quarterly payment of interest. For the repayment of the principal, the Directors noted that the three existing bank loans which have relatively shorter terms of three years and three and a half years require repayment of approximately 2% to 2.5% of the principal amount each time in regular intervals before maturity and the remaining portion of approximately 85% to 90% of the principal amount at maturity. Given that these short-term loans under comparison only require the repayment of the majority of the principal amount at maturity and taking into account the fact that the Loan has an even shorter term of two years, to minimise administrative costs and procedures, the Directors consider that the arrangement of the repayment of principal in full at the maturity date of the Loan is fair and reasonable.

Having compared the terms of the Loan with the aforementioned comparable existing bank loans of the China SCE Group, the Directors consider that the terms are fair and reasonable and on normal commercial terms or better, 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 Latest Practicable Date. The Borrower is an investment holding company and mainly generates its revenue from trading of construction materials. Based on unaudited management accounts of the Borrower for the ten months ended 31 October 2022, the Borrower had net assets value of approximately RMB2,406.9 million and its assets mainly comprise costs of investment in its subsidiaries of approximately RMB10.7 billion. Save for the amounts due to the subsidiaries of China SCE Holdings of approximately RMB8.5 billion which have no specific repayment terms, the Borrower had no material outstanding debts or interest-bearing borrowings as at 31 October 2022. Based on unaudited consolidated management accounts of the Borrower for the ten months ended 31 October 2022, the Borrower and its subsidiaries had cash and cash equivalents of approximately RMB9.8 billion. Noting that the Borrower has significant amount of investment in subsidiaries which are expected to generate dividend income and the Borrower and its subsidiaries have sufficient cash and cash equivalents and have no other imminent repayment obligations in respect of other debts or borrowings, based on the above, the Directors consider that the Borrower had sound creditworthiness and had low credit risk and default risk as at the Latest Practicable Date. 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, an indirect wholly-owned subsidiary of China SCE Holdings and an investment holding company, the Directors are of the view that the risk of the Borrower failing to repay the Loan in full is relatively low. The Directors have also assessed the repayment capability of Xiamen Zhongjun by reviewing the financial statements of Xiamen Zhongjun and its subsidiaries showing that as at 30 June 2022, Xiamen Zhongjun and its subsidiaries had (i) cash and cash equivalents of approximately RMB13,244.7 million; (ii) net current assets of approximately RMB24,438.8 million; and (iii) net assets of approximately RMB40,579.8 million, as well as the credit ratings of Xiamen Zhongjun and its domestic corporate bonds of AA+ published by China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) in June 2022, which together indicate that Xiamen Zhongjun had good repayment capability, low credit risk and default risk as at the Latest Practicable Date.

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.

At the Board meeting held to approve the Loan Agreement and the transactions contemplated thereunder, Mr. Wong Lun and Mr. Huang Youquan, who are also directors of China SCE Holdings, have abstained from voting on the relevant Board resolutions. Apart from Mr. Wong Lun and Mr. Huang Youquan, none of the Directors has or is deemed to have a material interest in the Loan Agreement and the transactions contemplated thereunder and therefore required to abstain from voting on the relevant Board resolutions.

FINANCIAL EFFECTS OF THE LOAN AGREEMENT

Earnings

The Group will be entitled to earn interest income at a rate of 7.0% per annum during the term of the Loan. Assuming the principal amount of RMB900.0 million of the Loan were fully drawn down by the Borrower, the Group is expected to recognise interest income of approximately RMB63.0 million for each twelve-month period, which will have a positive impact on the Group's future earnings.

Assets and liabilities

It is expected that the transactions contemplated under the Loan Agreement will not have any impact on the assets and liabilities of the Group since the Loan will be recorded as loan receivables and at the same time the cash and cash equivalents of the Group will be reduced by the same amount.

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 Latest Practicable Date, the Borrower was an indirect wholly-owned subsidiary of China SCE Holdings, the controlling shareholder of the Company, and was 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) of the Listing Rules, the Company is subject to the general disclosure obligations under Rule 13.13 of the Listing Rules to make an announcement containing the information specified in Rule 13.15 of the Listing Rules in respect of the Loan as soon as reasonably practicable after provision of the Loan.

As at the Latest Practicable Date, Happy Scene Global Limited, an indirect wholly-owned subsidiary of China SCE Holdings, held 1,248,490,946 Shares, representing approximately 60.17% of the entire issued share capital of the Company. Any Shareholder who has material interest in the Loan Agreement and the transactions contemplated thereunder shall abstain from voting on the resolution to be proposed at the EGM to approve the Loan Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, save for Happy Scene Global Limited, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder would be required to abstain from voting at the EGM.

EGM

The EGM will be held and convened at R2, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 30 December 2022 at 3:00 p.m.. A notice convening the EGM is set out on pages 37 to 38 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e., at or before 3:00 p.m. on Wednesday, 28 December 2022 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the entering of the Loan Agreement and the transactions contemplated thereunder, while not in the ordinary and usual course of business of the Group, are on normal commercial terms or better, and the terms of the Loan Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Loan Agreement and the transactions contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the Loan Agreement and the transactions contemplated thereunder. Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 11 to 12 of this circular.

Your attention is also drawn to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the same set out on pages 13 to 30 in this circular.

FURTHER INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
By order of the Board
SCE Intelligent Commercial Management Holdings Limited
Wong Lun
Chairman

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)

12 December 2022

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
LOAN TO A CONNECTED PERSON

We refer to the circular (the "**Circular**") of the Company dated 12 December 2022 to the Shareholders of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice of the Independent Financial Adviser and the principal factors and reasons that the Independent Financial Adviser has taken into consideration in giving such advice are set out in the "Letter from the Independent Financial Adviser" in the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendices thereto.

Having taken into account the (i) terms of the Loan Agreement and the transactions contemplated thereunder; and (ii) the factors referred to in the "Letter from the Independent Financial Adviser" in the Circular, we are of the opinion that, despite the entering into of the Loan Agreement is not in the ordinary and usual course of business of the Company, the terms of the Loan Agreement and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms or better; and (iii) in the interests of the Group and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Loan Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
SCE Intelligent Commercial Management Holdings Limited

Ding Zuyu	**Wang Yongping**	**Pang Hon Chung**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the Loan Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

邁時資本
MAXA CAPITAL

Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

12 December 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION LOAN TO A CONNECTED PERSON

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 12 December 2022 (the "**Circular**"), of which this letter forms parts. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 24 November 2022 (the "**Announcement**"). As set out in the Announcement, 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 Latest Practicable Date, 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 Chapter 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) of the Listing Rules, the Company is subject to the general disclosure obligations under Rule 13.13 of the Listing Rules to make an announcement containing the information specified in Rule 13.15 of the Listing Rules in respect of the Loan as soon as reasonably practicable after provision of the Loan.

The EGM will be convened and held by the Company to consider and, if though fit, to approve, among other things, the Loan Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, 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 to be proposed at the EGM to approve the Loan Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, save for Happy Scene Global Limited, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder would be required to abstain from voting at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Dr. Ding Zuyu, Mr. Wang Yongping and Mr. Pang Hon Chung, being all of the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Loan Agreement and the transactions contemplated thereunder are fair and reasonable, and on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution(s) to be proposed at the EGM to approve the Loan Agreement and the transactions contemplated thereunder. We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder. Save for this appointment as the Independent Financial Adviser in respect of the Loan Agreement and the transactions contemplated thereunder, there was no other engagement between the Company and us in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the Loan Agreement; (ii) the prospectus of the Company dated 21 June 2021 (the "**Prospectus**"); (iii) the annual report of the Company for the year ended 31 December 2021 (the "**2021 AR**"); and (iv) the interim report of the Company for the six months ended 30 June 2022 (the "**2022 IR**"). We consider that we have reviewed sufficient and relevant information and documents, and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the "**Management**"). We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Loan Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information of 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 a comprehensive property management service provider managing both commercial and residential properties in China, providing property management services, value-added services and commercial operational services. As at 30 June 2022, the Group had (i) a large contracted property management portfolio encompassing 61 cities across 18 provinces, municipalities and autonomous regions in the PRC; and (ii) 264 and 156 contracted projects and project under management (including both commercial and residential), respectively, with a total contracted gross floor area ("**GFA**") of approximately 48.6 million square meters ("**sq.m.**") and a total GFA under management of approximately 24.0 million sq.m..

Set out below is a summary of the consolidated financial information of the Group for the year ended 31 December 2020 ("**FY2020**") and 31 December 2021 ("**FY2021**"), and for the six months ended 30 June 2021 ("**1H2021**") and 30 June 2022 ("**1H2022**") as extracted from the Prospectus, the 2021 AR and the 2022 IR:

	For the year ended 31 December		**For the six months ended 30 June**	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	**805,284**	**1,230,050**	**578,959**	**604,623**
— Property management services	417,892	601,087	283,351	379,779
— Value-added services	193,501	342,464	151,505	199,808
— Commercial operational services	193,891	286,499	144,103	25,036
Gross profit	**356,577**	**580,869**	**285,679**	**251,756**
Profit for the year/period	**162,510**	**286,129**	**154,165**	**137,145**

The Group's property management services segment represents the basic property management services to commercial and residential properties, which mainly include cleaning, security, landscaping and repair and maintenance, tenant assistance, marketing and promotion services provided to the property owners, tenants, property owners' committees or property developers. The Group's value-added services segment includes (i) the provision of value-added services to non-property owners including pre-sale management services to property developers during pre-sale activities, such as cleaning, security and repair and maintenance services for pre-sale display units and sales offices, pre-delivery inspection services and car park sales services for car parks that remained unsold after the pre-sale period; (ii) provision of community value-added services including housekeeping and cleaning services, residential property agency services, exquisite resident services as well as car park management, clubhouse operation and common area management value-added services; and (iii) other value-added services mainly include tenant management, rental collection, parking lot management, advertising space and other common area management services provided after the opening of commercial properties. The Group's commercial operational services segment represents the pre-opening management services covering market research and positioning, preliminary consultation and planning, architectural design consultation, tenant acquisition and opening preparation services provided to property developers prior to the opening of commercial properties.

As illustrated in the table above, the Group's revenue amounted to approximately RMB1,230.1 million for FY2021, representing an increase of approximately 52.7% as compared to FY2020. Benefiting from the increase in GFA under management, including both commercial and residential properties, from approximately 16.2 million sq.m. as at 31 December 2020 to approximately 22.4 million sq.m. as at 31 December 2021, the Group's revenue from this business segment increased from approximately RMB417.9 million for FY2020 to approximately RMB601.1 million for FY2021. The Group's revenue from value-added services segment increased from approximately RMB193.5 million for FY2020 to approximately RMB342.5 million for FY2021, which was primarily due to (i) the increase in the GFA under management and the alleviated impact of the COVID-19 pandemic on the operations in FY2021 as compared to FY2020; (ii) the number of residential properties for which pre-sale management services were provided increased from 102 projects in FY2020 to 113 projects in FY2021; and (iii) the increase in the types of value-added services provided by the Group. The Group's revenue from commercial operational services segment increased from approximately RMB193.9 million for FY2020 to approximately RMB286.5 million for FY2021, which was due to the increase in the number of shopping malls for which the Group provided pre-opening management services from 22 in FY2020 to 30 in FY2021.

The Group recorded profit for the year of approximately RMB286.1 million for FY2021, representing an increase of approximately 76.1% as compared to the profit for the year of approximately RMB162.5 million for FY2020. The increase in the Group's profit for the year for FY2021 was mainly due to (i) the increase in the gross profit of the Group by approximately RMB224.3 million to approximately RMB580.9 million for FY2021 benefiting from the increase in GFA under management, achievement of economies of scale as a result of business expansion and the launching of new value-added service during FY2021; and (ii) partially offset by the increase in administrative expenses by approximately RMB83.2 million to approximately RMB218.5 million in FY2021 due to the business expansion and the one-off share issue expenses incurred in relation to the initial public offering of the Company in July 2021 (the "**IPO**").

The total revenue of the Group was approximately RMB604.6 million for 1H2022, representing an increase of approximately 4.4% as compared to approximately RMB579.0 million for 1H2021. Such increase in the revenue was primarily attributable to (i) the increase in revenue from property management services segment by approximately RMB96.4 million to approximately RMB379.8 million for 1H2022 as a result of the increase in the Group's GFA under management from approximately 18.6 million sq.m. as at 30 June 2021 to approximately 24.0 million sq.m. as at 30 June 2022; (ii) the increase in revenue derived from the value-added services segment by approximately RMB48.3 million to approximately RMB199.8 million for 1H2022 mainly due to the number of residential properties for which pre-delivery inspection services were provided increased from 15 in 1H2021 to 23 in 1H2022 and the increase in revenue recorded from the provision of car park sales services; and (iii) partially offset by the decrease in revenue from the commercial operational services segment by approximately RMB119.1 million to approximately RMB25.0 million for 1H2022 mainly due to the temporary suspension of land acquisition by the China SCE Group starting from 2022. The number of shopping malls for which the Group provided pre-opening management services decreased significantly from 24 in 1H2021 to 7 in 1H2022.

The Group recorded profit for the period of approximately RMB137.1 million for 1H2022, representing a decrease of approximately 11.0% as compared to the profit for the period of approximately RMB154.2 million for 1H2021. The decrease in the Group's profit for the period for 1H2022 was mainly due to (i) the decrease in the gross profit of the Group by approximately RMB33.9 million to approximately RMB251.8 million for 1H2022 mainly due to the significant decrease in the revenue recorded from the provision of pre-opening management services of commercial properties which had higher gross profit margins; and partially offset by (ii) the increase in other income and gains by approximately RMB8.5 million to approximately RMB12.8 million for 1H2022 mainly due to the significant increase in bank interest income as a result of the increase in cash and cash equivalents upon completion of the IPO with net proceeds of approximately HK$2,037.5 million in July 2021; and (iii) the decrease in administrative expenses by approximately RMB4.5 million to approximately RMB77.7 million in 1H2022 mainly attributable to absence of one-off share issue expenses of the IPO and partially offset by the effects of business expansion and foreign exchange loss during 1H2022.

	As at 31 December		**As at 30 June**
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Non-current assets	26,129	60,306	54,863
Current assets	1,091,529	2,998,428	3,077,529
Total assets	**1,117,658**	**3,058,734**	**3,132,392**
Non-current liabilities	290	8,440	2,936
Current liabilities	579,684	607,794	625,484
Total liabilities	**579,974**	**616,234**	**628,420**
Net current assets	**511,845**	**2,390,634**	**2,452,045**
Net assets	**537,684**	**2,442,500**	**2,503,972**

The Group had total assets of approximately RMB3,058.7 million as at 31 December 2021, which mainly comprised of (i) property and equipment of approximately RMB45.0 million; (ii) trade receivables of approximately RMB71.8 million; and (iii) cash and cash equivalents of approximately RMB2,899.6 million. The Group had total assets of approximately RMB3,132.4 million as at 30 June 2022, which mainly comprised of (i) property and equipment of approximately RMB34.9 million; (ii) trade receivables of approximately RMB120.7 million; and (iii) cash and cash equivalents of approximately RMB2,927.7 million.

The Group had total liabilities of approximately RMB616.2 million as at 31 December 2021, which mainly comprised of (i) trade payables of approximately RMB76.8 million; (ii) other payables and accruals of approximately RMB253.7 million; and (iii) contract liabilities of approximately RMB192.4 million. The Group had total liabilities of approximately RMB628.4 million as at 30 June 2022, which mainly comprised of (i) trade payables of approximately RMB77.5 million; (ii) other payables and accruals of approximately RMB329.5 million; and (iii) contract liabilities of approximately RMB160.2 million.

The increase in the total assets by approximately RMB1,941.1 million to approximately RMB3,058.7 million as at 31 December 2021 as compared to 31 December 2020 was mainly attributable to (i) the increase in cash and cash equivalents by approximately RMB2,395.7 million as a result of the net proceeds of approximately RMB1,695.8 million (equivalent to approximately HK$2,037.5 million) raised from the IPO in July 2021; and (ii) partially offset by the decrease in amounts due from related parties by approximately RMB487.4 million. The increase in total liabilities by approximately RMB36.3 million to approximately RMB616.2 million as at 31 December 2021 as compared to 31 December 2020 was mainly due to (i) the increase in other payables and accruals by approximately RMB57.7 million mainly due to the increase in deposits received from tenants, residents and subcontractors and accrued staff salaries and wages and bonuses; (ii) the increase in contract liabilities by approximately RMB83.8 million mainly due to the increase in customers' demand for the Group's commercial property management and operational services and residential property management services; and (iii) partially offset by the decrease in amounts due to related parties by approximately RMB109.8 million.

The increase in the total assets by approximately RMB73.7 million to approximately RMB3,132.4 million as at 30 June 2022 as compared to 31 December 2021 was mainly attributable to (i) the increase in trade receivables by approximately RMB48.9 million mainly due to business expansion; and (ii) the increase in cash and cash equivalents by approximately RMB28.1 million mainly due to net cash inflows generated from operating activities. The increase in total liabilities by approximately RMB12.2 million to approximately RMB628.4 million as at 30 June 2022 as compared to 31 December 2021 was mainly due to (i) the increase in other payables and accruals by approximately RMB75.8 million mainly due to the unpaid final dividend of approximately RMB88.6 million for FY2021; and partially offset by (ii) the decrease in contract liabilities by approximately RMB32.3 million mainly due to the absence of promotional activities, which were used to attract more prepayment for property management fee from the residents in FY2021, during 1H2022; and (iii) the decrease in amounts due to related parties by approximately RMB33.4 million.

The Group's current ratio increased from approximately 1.9 times as at 31 December 2020 to approximately 4.9 times as at 31 December 2021, which was mainly attributable to the increase in the cash and cash equivalents as at 31 December 2021 as a result of the net proceeds raised from the IPO during FY2021. The Group's current ratios remained stable at approximately 4.9 times as at 30 June 2022. The Group did not incur any borrowings as at each of 31 December 2020, 31 December 2021 and 30 June 2022. Therefore, the gearing ratios (calculated by dividing the net amount of interest-bearing borrowings by total equity) of the Group were nil as at each of 31 December 2020, 31 December 2021 and 30 June 2022.

2. Background information of 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.

3. Reasons for and benefits of entering into the Loan Agreement

As set out in the Letter from the Board, 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.

Financial resources of the Group and alternative uses of funds

Based on our review of the 2022 IR, we note that, out of the cash and cash equivalents of approximately RMB2,927.7 million as at 30 June 2022, the unutilised amount of the IPO net proceeds was approximately RMB1,645.9 million (equivalent to approximately HK$1,924.6 million), of which approximately RMB1,524.0 million (equivalent to approximately HK$1,782.0 million) had been earmarked for specific plans as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Therefore, the cash and cash equivalents available for general working capital purpose as at 30 June 2022 was approximately RMB1,403.7 million. Assuming the Borrower would fully drawdown the maximum principal amount of the Loan of RMB900.0 million before 31 December 2022 and taking into account the dividend payment of approximately RMB88.6 million in respect of FY2021, the Group's cash and cash equivalents available for general working capital purpose would be reduced to approximately RMB415.1 million. We note from the Prospectus, the 2021 AR and the 2022 IR that the Group has been consistently generating positive net cash flow from its operations of approximately RMB302.0 million, RMB462.5 million and RMB54.7 million for the year ended 31 December 2020 and 31 December 2021 and the six months ended 30 June 2022. Furthermore, based on our review of the cash flow forecast prepared by the Management for the year ending 31 December 2023, we note that the Group is expected to maintain a positive net cash flow from operations for the year ending 31 December 2023 and the Group's working capital, after deducting the maximum principal amount of the Loan, would be sufficient for the Group's operations for the year ending 31 December 2023. In light of the above, we consider that the advance of the Loan to the Borrower would not place significant financial burden on the Group's operations.

Regarding the alternative use of the funds for the Loan, as advised by the Management, the Group generally manages its idle funds by way of short-term deposits with commercial banks or financial institutions, which generate interest income at rate of approximately 2.0% per annum. The Management has also considered investing the Group's idle funds in the wealth management products with low to moderate risk, which typically have interest rates ranging from approximately 2.6% to 4.7% per annum. As disclosed in the 2021 AR and 2022 IR, the Group recorded bank interest income of approximately RMB1.5 million and RMB10.1 million for FY2021 and 1H2022, respectively. Pursuant to the Loan Agreement, the Lender will charge an interest rate of 7.0% per annum and the Group is expected to earn an annual interest income of up to approximately RMB63.0 million based on the maximum principal amount of RMB900.0 million. In light of the above, we consider that the Loan arrangement would enable the Group to generate higher interest income as compared to the alternative use of idle funds.

Mutual benefits to both the Group and the China SCE Group to be derived from the Loan arrangement

Based on our review of the Prospectus, we note that the Group has a long-term and stable cooperations with the China SCE Group. The Group started providing residential property management services for properties developed by the China SCE Group in 2003. Following the China SCE Group's commencement of the development of commercial properties, the Group expanded its service scope to provision of commercial property management and operational services in 2009. According to the Prospectus, as at 31 December 2020, all commercial properties contracted to be but not yet under the Group's management were developed by China SCE Group or its joint ventures and associates, and 94.5% of the number of residential properties contracted to be but not yet under the Group's management were developed by the China SCE Group or its joint ventures and associates. As advised by the Management, although the Group has diversified its sources of revenue from independent third parties since 2021, it is expected that the proportion of the Group's revenue attributable to the properties developed by the China SCE Group, its joint ventures and associates will be no less 85.0% for the years ending 31 December 2022 and 2023. As advised by the Management, the Group's contracted GFA of commercial properties and residential properties but not yet delivered were approximately 3.4 million sq.m. (after excluding commercial properties with GFA of approximately 1.1 million sq.m. which the Group has been appointed to provide operational consultancy services for these properties only but not provided any basic commercial property management services) and 20.2 million sq.m. as at 30 June 2022, respectively, of which approximately 97.7% and 99.2% were developed by the China SCE Group, its joint ventures or associates. In light of the above, we concur with the Directors' view that the additional short to medium term capital under the Loan would allow the China SCE Group to accelerate the process of construction and delivery of its properties, which in turn is beneficial to the long-term development of the Group in view of the expected increase in the Group's GFA under management upon delivery of the property projects developed by the China SCE Group.

Repayment capability of the Borrower

As disclosed in the Letter from the Board, the Directors have 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 FY2021, the audited revenue of the China SCE Group and profit attributable to owners of the company for FY2021 amounted to approximately RMB37,737.4 million and RMB3,070.0 million, respectively. According to the interim report of China SCE Holdings for 1H2022, 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 Latest Practicable Date.

In order to assess the counterparty risk and default risk associated with the Loan, in particular, the repayment obligation of the Borrower under the Loan Agreement, we have enquired with the Management regarding the financial condition of the Borrower. Based on unaudited management accounts of the Borrower for the ten months ended 31 October 2022 provided by the Management, we note that the Borrower had net assets value of approximately RMB2,406.9 million and its assets mainly comprise costs of investment in its subsidiaries. Save for the amounts due to the subsidiaries of the China SCE Holdings, we are not aware of any material outstanding debts or interest-bearing borrowings of the Borrower as at 31 October 2022. As advised by the Management, the Borrower is an investment holding company and mainly generates its revenue from trading of construction materials.

In view of the business nature of the Borrower as discussed above, we have further assessed the repayment capability of Xiamen Zhongjun (together with its subsidiaries, the "**Xiamen Zhongjun Group**"), being the intermediate holding company of the Borrower, which agreed to provide a corporate guarantee to the Lender as security of the Loan. We note from the 2022 interim report of China SCE Holdings that Xiamen Zhongjun had issued three tranches of domestic corporate bonds in August 2019, July 2020 and October 2020, respectively, all of which are listed on the Shenzhen Stock Exchange (the "**XZ Domestic Bonds**"). As part of our due diligence work, we have independently retrieved the 2022 Xiamen Zhongjun Industrial Co., Ltd. Corporate Bond Half-year Report (《厦門中駿集團有限公司公司債券半年度報告(2022年)》) published by Xiamen Zhongjun in August 2022 (the "**2022 Bond HR**") from the website of the Shenzhen Stock Exchange, which contains, among others, the corporate information of Xiamen Zhongjun, credit ratings of Xiamen Zhongjun and its domestic corporate bonds, and unaudited consolidated financial information. Based on our review of the 2022 Bond HR, as at 30 June 2022, the Xiamen Zhongjun Group had (i) cash and cash equivalents of approximately

RMB13,244.7 million; (ii) net current assets of approximately RMB24,438.8 million; and (iii) net assets of approximately RMB40,579.8 million. We note that the maximum principal amount of the Loan of RMB900.0 million would only account for approximately 6.8% and 2.2% of the aforesaid balance of cash and cash equivalents and net assets of the Xiamen Zhongjun Group, respectively.

Furthermore, we note from the Credit Rating Tracking Reports (跟蹤評級報告) of the XZ Domestic Bonds published by China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) ("**CCXI**") on the website of the Shenzhen Stock Exchange that both Xiamen Zhongjun and the XZ Domestic Bonds were assigned with credit rating of AA+ in June 2022, which is the second highest rating under CCXI's credit rating scale table, indicating that Xiamen Zhongjun has a strong repayment ability and the default risk is low. Based on the results of our public search and review of the 2022 Bond HR, we are not aware of any subsequent change or adjustment to Xiamen Zhongjun's credit rating since June 2022.

Taking into account (i) the expected interest income generated from the Loan is higher than the alternative use of the idle funds; (ii) the Loan arrangement would not place significant financial burden on the overall financial position and short-term working capital need of the Group; (iii) the Group has maintained a long-term business relationship with the China SCE Group and the expected benefits to be derived from the timely delivery of the property projects developed by the China SCE Group; and (iv) the financial position and repayment capability of the Borrower and Xiamen Zhongjun as discussed above, we are of the view that the entering into the Loan Agreement is in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Loan Agreement

Set forth below are the principal terms of the Loan Agreement:

Date:	24 November 2022
Parties:	(i) the Lender; and (ii) the Borrower.
Principal amount:	Up to RMB900.0 million
Interest rate:	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 (the "**LPR**") as announced by the People's Bank of China (the "**PBoC**") from time to time, which as at the Latest Practicable Date was 4.3% per annum; and (ii) interest rates of 15 existing bank loans entered into by the China SCE Group pledged with completed properties ranging from 4.2% to 6.0% per annum.

Term: A fixed term commencing from the date of drawdown and ending on 31 December 2024.

Condition 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.

None of the conditions above can be waived. As at the Latest Practicable Date, none of the conditions had been fulfilled.

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 which are all of first charge and currently have an appraised market value of approximately RMB1,850.0 million as at 31 October 2022 as valued by an independent and qualified valuer, Cushman & Wakefield Limited, using income capitalisation approach on the basis of capitalisation of rental derived from the existing tenancies with due allowance for reversionary rental potential of Charged Assets. Based on such appraised market value as at 31 October 2022, the LTV Ratio was approximately 48.6% as at the Latest Practicable Date.

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 maximum LTV Ratio of 55%, for its own use.

The maximum LTV Ratio 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, and, given the volatile property market, provides room for fluctuation of market value for the Charged Assets during the term of the Loan.

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.

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.

4.1 Interest rate and tenure

As disclosed in the Letter from the Board, the interest rate of 7.0% per annum of the Loan was determined after arm's length negotiations between the Lender and the Borrower with reference to, among others, (i) the five-year LPR as announced by the PBoC from time to time; and (ii) the interest rates of existing bank loans pledged with completed properties entered into by the China SCE Group (the "**Comparable Loans**") ranging from 4.2% to 6.0% per annum.

We have discussed with the Management and understand that the Comparable Loans were selected by the Management based on the following selection criteria: (i) the currency of the loan is denominated in RMB; (ii) the lender of the loan is a commercial bank in the PRC; (iii) the loan remains outstanding as at the date of the Loan Agreement; and (iv) the loan is secured by the pledged of completed properties, such as shopping malls, offices, retail shop units and car parking spaces in the PRC, held by the China SCE Group. Having considered that (i) the Comparable Loans are entered into with independent commercial banks in the PRC which are representative of the general market terms and conditions of the loans obtained by the China SCE Group in the PRC and the terms of the Comparable Loans are generally decided by the commercial banks which would thoroughly consider factors such as credit record, background and default risks of borrowers and impose appropriate requirements to secure the repayment of the borrower and minimise the risks to the commercial banks; and (ii) the collaterals, being completed properties, such as shopping malls, offices, retail shop units and car parking spaces in the PRC, of the Comparable Loans which generally carry lower risk than properties under construction and are similar in nature to the Charged Assets, we are of the view that the Comparable Loans are appropriate for the assessment of the fairness and reasonableness of the Loan.

As part of our due diligence work, we have obtained and reviewed the exhaustive list of the Comparable Loans which summarises the salient terms of the Comparable Loans such as identity of the lender, interest rate, tenure and maturity date. Based on our review, we note that there were 15 Comparable Loans with outstanding principal amount ranging from approximately RMB4.7 million to RMB497.8 million and an aggregate outstanding principal amount of approximately RMB2,685.3 million as at 30 June 2022. Although the outstanding principal amounts of the Comparable Loans are less than the principal amount of the Loan of RMB900.0 million, we consider that the Comparable Loans are acceptable to serve as a reference for the purpose of assessing the key terms (including interest rate, tenure, maximum LTV ratio, repayment term and default interest) of the Loan given that the Comparable Loans are similar in nature (involving pledge of completed properties as security) and entered into with sizeable independent commercial banks. Given the limited number of the Comparable Loans with repayment term similar to the Loan, we consider that it is reasonable to include the Comparable Loans with longer repayment term in order to generate a sufficient and meaningful sample size for comparison purpose. Furthermore, as the Comparable Loans are entered into with 10 independent commercial banks, we consider that the key terms of the Comparable Loans are determined at normal commercial terms having regard to the credit rating, repayment capabilities, and potential default risk of the China SCE Group.

The interest rates of the Comparable Loans range from 4.2% to 6.0% per annum with an average and median interest rates of approximately 5.2% and 5.4% per annum, respectively. We have also visited the official website of PBoC and achieved the current benchmark interest rate (貸款基準利率) and LPR set by PBoC. Out of the aforesaid Comparable Loans, three of them have fixed interest rates ranging from approximately 4.5% to 5.9% per annum, whereas the remaining Comparable Loans carry floating interest rates with upward or downward adjustment to the benchmark interest rates or the LPR set by the PBoC. Therefore, the interest rate of the Loan, which is determined at 7.0% per annum, is (i) above the high end of the interest rates of the Comparable Loans of 6.0% by 100 basis points; (ii) higher than the current benchmark interest rate (for term of one to five years) of 4.75% per annum by 225 basis points; and (iii) higher than the LPR (for term of five years or above) of 4.3%[1] by 270 basis points.

Given that Xiamen Zhongjun will also provide a corporate guarantee to the Lender as security of the Loan, we have further compared the interest rate of the Loan to the borrowing costs of Xiamen Zhongjun. Based on our review of China SCE Holdings' interim report 1H2022, we note that Xiamen Zhongjun had issued three tranches of domestic corporate bonds in August 2019, July 2020 and October 2020 respectively with aggregated principal amount of RMB4,000.0 million outstanding as at 30 June 2022. All three tranches of domestic corporate bonds are unsecured, bear fixed interest rates ranging 5.5% to 6.5% per annum and with term of four to five years. We note that interest rate of the Loan, which is secured by the Charged Assets and with term of two years, is higher than the interest rates of the unsecured domestic corporate bonds issued by Xiamen Zhongjun.

Furthermore, based on our review of the exhaustive list of the Comparable Loans, we note that the terms of the Comparable Loans range from three to 15 years, with an average and median terms of approximately 10.3 and 12.0 years, respectively. The maturity dates of the Comparable Loans range from 26 September 2022 to 21 September 2036. The term of the Loan of two years is shorter than the low end of the Comparable Loans. As advised by the Management, completed commercial properties, depending on their location, usually could generate stable rental income and net cash inflow, and therefore the commercial banks are willing to grant a longer term for commercial properties mortgage loans than the typically properties construction or development loans. Therefore, we consider that the term of the Loan, which is secured by completed commercial properties of the Borrower, is more favorable to the Borrower when comparing to the terms of the Comparable Loans granted by independent commercial banks with a minimum term of three years and an average term more than 10 years.

As part of our work, we have obtained, on sampling basis, three sets of loan agreements and asset pledge agreements (the "**Sample Agreements**") from the exhaustive list of Comparable Loans, cross-checked the terms of the Sample Agreements to the exhaustive list of Comparable Loans and are not aware of any inconsistency between the Sample Agreements and the salient terms set out in the exhaustive list of Comparable Loans.

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[1] Based on the LPR published on the website of the PBoC on 21 November 2022 (http://www.pbc.gov.cn/zhengcehuobisi/125207/125213/125440/3876551/4716444/index.html)

4.2 Security

Pursuant to the Loan Agreement, the Loan is secured by the Charged Assets and the Borrower 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 maximum LTV Ratio of 55%, for its own use. Based on our review of the list of Comparable Loans, we note that 11 of the Comparable Loans do not specify the maximum LTV Ratio to be maintained by the borrower throughout the term of the loan. Therefore, only four of the Comparable Loans have stipulated the maximum LTV Ratios ranging from 45% to 55%, with average and median maximum LTV Ratios of approximately 51.3% and 52.5%, respectively. Although the maximum LTV Ratio of the Loan Agreement is slightly higher than the average and median maximum LTV Ratios of the Comparable Loans, it is within range of the maximum LTV Ratios of the Comparable Loans. In addition, we note that the appraised value of the Charged Assets as at 31 October 2022 is approximately RMB1,850.0 million, with an implied initial LTV Ratio of approximately 48.6% when comparing to the maximum Loan amount of RMB900.0 million, and is lower than the average and median maximum LTV Ratios of the Comparable Loans. As advised by the Management, the Charged Assets comprise five commercial property projects, all of which are completed and currently under management by the Group. Therefore, the Group is familiar with the conditions and business prospects of the Charged Assets.

Valuation of the Charged Assets

According to the property valuation report of the Charged Assets prepared by the Property Valuer (the "**Valuation Report**"), the appraised value of the Charged Assets was approximately RMB1,850.0 million using income capitalisation approach as at 31 October 2022 (the "**Valuation**"). In order to assess the fairness and reasonableness of the Valuation, we have (i) obtained and reviewed the Property Valuer's relevant qualification and experience; (ii) reviewed the Valuation Report and discussed with the Property Valuer regarding the valuation approach adopted in conducting the Valuation; (iii) obtained and reviewed the calculation and discussed with the Property Valuer to understand the bases and assumptions adopted in arriving at the Valuation. Based on the above, we consider that the valuation approach adopted for the Valuation is appropriate and the results of the Valuation are reasonable.

4.3 Repayment and default interests

Pursuant to the Loan Agreement, 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. Based on our review of the repayment schedules of the Comparable Loans, we note that the repayment terms of the principal amount would vary depending on the tenure and maturity date of the loans. However, it is worth noting that the Comparable Loans usually adopted a step-up repayment structure where the borrowers are only required to repay the interests accrued mainly within the first year after initial draw down and the repayment amount will increase progressively throughout the term of the loans. As per the repayment terms of the Comparable Loans, we note that the borrowers would be required to repay approximately 1.2% to 8.9% of the principal amount at the end of the first anniversary of the Comparable Loans. Given that the term of the Loan is two years, which is shorter than the terms of the Comparable Loans, and taking into account of the interests accrued to be repaid mainly at the first anniversary of the Comparable Loans, we consider that it is commercially justifiable to fully repay the outstanding principal amount at the maturity date of the Loan.

As per the Loan Agreement, 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. Based on our review of the Comparable Loans, we note that the borrowers are required to pay, in addition to the interest payment of the loans, default interest at rates equivalent to 30% to 50% of the interest rates of the loans. In view of the above, we consider that the default interest of the Loan is generally in line with the Comparable Loans.

Overall comment

As discussed in the section headed "3. Reasons for and benefits of entering into the Loan Agreement" above, we consider that the Loan arrangement would enable the Group to earn interest income at a rate of 7.0% per annum, which outweighs the financial returns that the Group would generate from alternative use of the idle funds, i.e. short-terms deposits with commercial bank or investment in wealth management products. In terms of the potential credit risk associated with the Loan, we note that the maximum amount of the Loan only accounts for approximately 6.8% and 2.2% of the cash and cash equivalents and net assets of the Xiamen Zhongjun Group, respectively, as at 30 June 2022. Also, based on our review of information available on the public domain, we are not aware of any indication of the deterioration of Xiamen Zhongjun's credit rating or material adverse change in its liquidity position. From the business development point of view, the Loan will provide the China SCE Group with additional short to medium term capital to accelerate the process of construction and delivery of its properties, which in turn is beneficial to the Group given the relatively high proportion of GFA contracted but not yet deliver is derived from the properties developed by the China SCE Group or its joint ventures and associates.

In view of the above, in particular, (i) the reasons and benefits of the Loan arrangement as discussed above; (ii) the Loan arrangement would not place significant financial burden on the overall financial position and short-term working capital need of the Group; (iii) the principal terms of the Loan are generally in line or better than the Comparable Loans; and (iv) our review of the exhaustive list of the Comparable Loans, our independent work done on the benchmark rates and LPR announced by the PBoC as well as the interest rates of the XZ Domestic Bonds, we consider that the terms of Loan Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Financial effects of the Loan Agreement

5.1 Earnings

The Group will be entitled to earn interest income at a rate of 7.0% per annum during the term of the Loan. Assuming the principal amount of RMB900.0 million of the Loan were fully drawn down by the Borrower, the Group is expected to recognise interest income of approximately RMB63.0 million for each twelve-month period, which will have a positive impact on the Group's future earnings.

5.2 Net asset value

Since the Loan will be recorded as loan receivables and at the same time the cash and cash equivalents of the Group will be reduced by the same amount, it is expected that the advance of the Loan will not have any material impact on the net asset value of the Group.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon the advance of the Loan and due to its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of how the financial position of the Company will be after the advance of the Loan.

RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the view that (i) the terms of the Loan Agreement and the transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) entering into the Loan Agreement, although not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM for approving the Loan Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Sammy Leung
Managing Director

Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 11 years of experience in the corporate finance industry.

1. INDEBTEDNESS

As at the close of business on 31 October 2022, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the lease liabilities of the Group were RMB5,262,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and accruals in the ordinary course of business, at the close of business on 31 October 2022, the Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, lease liabilities, or hire purchase commitments, guarantees or other material contingent liabilities. The Directors are not aware of any material adverse change in the Group's indebtedness position and contingent liabilities since 31 October 2022.

2. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after taking into account the financial resources available to the Group (including the internally generated funds), the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

3. FINANCIAL AND TRADING PROSPECTS

As disclosed in the interim report of the Company for the six months ended 30 June 2022, in the face of fierce competition within the industry, all property management companies actively "Explore New Sources of Income" and develop different types of value-added services to differentiate themselves from their competitors in the market. The Group deeply understands its importance and has developed value-added services that have high gross profit margins such as car park sales services, exquisite residence services and residential property agency services in recent years. In order to meet the needs of future development, the Group expects to "Reduce Expenditure", optimise its human resources structure, deepen the application of digitalisation, in order to save the high and unnecessary annual labour costs and further enhance the Group's competitiveness in the market.

1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

Based on the register kept by the Company, as at the Latest Practicable Date, the interests or short positions of Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to section 352 of the SFO, to be recorded in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

The Company

Name of Director	**Nature of interests**	**Number of Shares/ underlying Shares held or interested in** *(Note 1)*	**Approximate percentage of shareholding as at the Latest Practicable Date** *(Note 2)*
Mr. Niu Wei	Interest in a controlled corporation *(Note 3)*	75,452,716 (L)	3.64%
Mr. Sun Qiang	Interest in a controlled corporation *(Note 4)*	20,120,724 (L)	0.97%
Ms. Ku Weihong	Interest in a controlled corporation *(Note 5)*	50,301,811 (L)	2.42%

Notes:

1. The letter "L" denotes the Directors' long position in the Shares, underlying Shares and debentures of the Company.

2. Calculated on the basis of a total of 2,075,000,000 Shares as at the Latest Practicable Date.

3. These 75,452,716 Shares were registered in the name of Graceful Solar Limited ("**Graceful Solar**"). Mr. Niu Wei held 100% of the issued share capital of Graceful Solar and was deemed to be interested in the 75,452,716 Shares held by Graceful Solar under the SFO.

4. These 20,120,724 Shares were registered in the name of Surplus Star International Limited ("**Surplus Star**"). Mr. Sun Qiang held 100% of the issued share capital of Surplus Star and was deemed to be interested in the 20,120,724 Shares held by Surplus Star under the SFO.

5. These 50,301,811 Shares were registered in the name of Golden Skill Investments Limited ("**Golden Skill**"). Ms. Ku Weihong held 80% of the issued share capital of Golden Skill and was deemed to be interested in the 50,301,811 Shares held by Golden Skill under the SFO.

Associated corporations of the Company

Name of Director	**Name of associated corporation**	**Nature of interests**	**Number of shares/ underlying shares held or interested in** *(Note 1)*	**Approximate percentage of shareholding as at the Latest Practicable Date** *(Note 2)*
Mr. Zheng Quanlou	China SCE Holdings	Beneficial owner *(Note 3)*	30,000,000 (L)	0.71%
Ms. Ku Weihong	China SCE Holdings	Beneficial owner *(Note 3)*	30,000,000 (L)	0.71%
Mr. Huang Youquan	China SCE Holdings	Beneficial owner *(Note 3)*	16,000,000 (L)	0.38%

Notes:

1. The letter "L" denotes the Directors' long position in the Shares, underlying Shares and debentures of China SCE Holdings.

2. Calculated on the basis of a total number of 4,222,986,126 issued shares of China SCE Holdings as at the Latest Practicable Date.

3. Such interests are in the form of share options of China SCE Holdings which had not yet been exercised as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no other Director or chief executive of the Company had or was deemed to have any interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Mr. Wong Lun and Mr. Huang Youquan are executive directors of China SCE Holdings. Save as disclosed above, so far as the Directors were aware, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. COMPETING INTERESTS

So far as the Directors were aware, none of the Directors or their respective close associates had interest in any business which compete, or is likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS OR ASSETS

As at the Latest Practicable Date:

(a) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up), (i) been acquired or disposed of by; or (ii) leased to; or (iii) were proposed to be acquired or disposed of by; or (iv) were proposed to be leased to any member of the Group; and

(b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

Other than the Loan Agreement, there were no contracts entered into by the members of the Group which were not entered into in the ordinary course of business of the Group within two years immediately preceding the Latest Practicable Date and which are or may be material.

8. QUALIFICATION AND CONSENT OF EXPERT

The following sets out the qualification of the expert who has given its opinion or advice or statements as contained in this circular:

Name	Qualification
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

As at the Latest Practicable Date, the above expert:

(a) had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group;

(b) had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2021 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased to any member of the Group; and

(c) had given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name and logo in the form and context in which they respectively appear.

9. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. GENERAL

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's head office and principal place of business in the PRC is 5/F, SCE Tower No. 2, Lane 1688, Shenchang Road, Hongqiao Business District, Shanghai, The PRC. The Company's principal place of business in Hong Kong is Room 2801, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong.

(b) The company secretary of the Company is Mr. Kwan Kwong Cho. Mr. Kwan is also the deputy finance director of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants.

(c) The Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, is situated at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) In the event of any inconsistency between the English version and the Chinese version of this circular, the English version of this circular shall prevail.

11. DOCUMENTS ON DISPLAY

Copies of (i) the written consent of the Independent Financial Adviser, which was referred to in the section headed "Qualification and Consent of Expert" in this appendix and (ii) the Loan Agreement will be published and displayed on the websites of the Stock Exchange and the Company for a period of at least 14 days from the date of this circular (both days inclusive).

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of SCE Intelligent Commercial Management Holdings Limited (the "**Company**") will be held at R2, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 30 December 2022 at 3:00 p.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution (with or without modification) as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the loan agreement (the "**Loan Agreement**") dated 24 November 2022 (a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification) entered into between Shanghai China SCE Commercial Management Co., Ltd.* (上海中駿商業管理有限公司) as lender and Shanghai Zhongjun Property Co., Ltd.* (上海中駿置業有限公司) as borrower in relation to the loan of up to RMB900.0 million, the terms thereof and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Loan Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon."

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

Hong Kong, 12 December 2022

Principal place of business in Hong Kong:
Room 2801, Hysan Place
500 Hennessy Road, Causeway Bay
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting (the "**Meeting**") above is entitled to appoint in written form one or, if he is the holder of two or more shares ("**Shares**") of the Company, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such a Share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such a share shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the Meeting (i.e. by 3:00 p.m. on Wednesday, 28 December 2022 (Hong Kong time)) or any adjournment thereof.

4. The register of members of the Company will not be closed to ascertain shareholders' eligibility to attend and vote at the Meeting. However, in order to qualify for attending the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Thursday, 29 December 2022.

5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. If a typhoon signal number 8 or above is hoisted or a "black" rainstorm warning signal is in force at or at any time after 1:00 p.m. on the date of the above meeting, the above meeting will be adjourned. An announcement will be posted on the websites of the Company and the Stock Exchange of Hong Kong Limited to notify the members of the date, time and place of the adjourned meeting. The above meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Members should decide on their own whether they would attend the above meeting under bad weather conditions bearing in mind their own situations.

7. References to time and dates in this notice are to Hong Kong time and dates.

8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, 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 purposes only*