THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SCE Intelligent Commercial Management Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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 ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF TARGET COMPANY FROM CHINA SCE GROUP INVOLVING CHANGE OF USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

邁時資本
MAXA CAPITAL

A letter from the Board is set out on pages 6 to 21 of this circular. A letter from the Independent Board Committee is set out on page 22 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 53 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at R2, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 21 December 2023 at 4:00 p.m. is set out on pages EGM-1 to EGM-2 to this circular. Whether or not you are able to attend and/or vote at the extraordinary general meeting in person, you are requested to complete the enclosed proxy form and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting (i.e., at or before 4:00 p.m. on Tuesday, 19 December 2023 (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjournment thereof in person should you so wish.

4 December 2023

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

"Acquisition"	the sales and purchase of the Sale Shares and the assignment of the Sale Debt pursuant to the terms and conditions of the SPA
"Announcement"	the joint announcement of the Company and China SCE dated 6 November 2023 in relation to the Acquisition
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"China SCE"	China SCE Group Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (stock code: 1966), which holds approximately 64.52% of the issued share capital of the Company through its wholly-owned subsidiary Happy Scene Global Limited and is a controlling shareholder of the Company
"China SCE Board"	board of directors of China SCE
"China SCE Director(s)"	director(s) of China SCE
"China SCE Group"	China SCE and its subsidiaries, excluding the Group
"China SCE Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of China SCE
"China SCE Shareholders"	holder(s) of the China SCE Share(s)
"Company"	SCE Intelligent Commercial Management Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (stock code: 606)
"Completion"	completion of the Acquisition in accordance with the SPA
"Completion Date"	the day on which all conditions precedent are being fulfilled or waived (as the case may be) or any other date as agreed by the parties in writing under the SPA
"Conditions"	conditions precedent to Completion set forth under the SPA
"connected person"	has the meaning ascribed to it under the Listing Rules

"Consideration"	RMB1,090 million, being the total consideration payable by the Purchaser to the Vendor for the Sale Shares and the Sale Debt pursuant to the terms and conditions of the SPA
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at R2, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 21 December 2023 at 4:00 p.m. for the Independent Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Target Group
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board, comprising Mr. Ding Zuyu, Mr. Wang Yongping and Mr. Pang Hon Chung, being all the independent non-executive Directors, established for the purpose of, among other things, advising the Independent Shareholders in respect of the SPA 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 appointed independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the SPA and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders other than Happy Scene Global Limited, an indirect wholly-owned subsidiary of China SCE, and its associates
"Independent Third Party(ies)"	a party who is not a connected person of the Company and is independent of the Company and its connected persons

"Junhui Real Estate"	北京駿輝房地產開發有限公司 (Beijing Junhui Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability and is a wholly-owned subsidiary of China SCE
"Latest Practicable Date"	30 November 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Listing"	the Listing of the Company on 2 July 2021
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 December 2023 or such other date as the parties may agree in writing
"Net Proceeds"	net proceeds from the global offering of the Shares
"Original Targets"	the acquisition targets as described in the paragraph headed "Reasons and Benefits of the Acquisition" in this circular
"Outlet-based Shopping Mall Operation"	the operation of outlet-based shopping malls
"PRC"	The People's Republic of China
"Property"	the shopping mall as described in the paragraph headed "Information of the Property" in this circular
"Prospectus"	the prospectus in respect of the global offering of the Company dated 21 June 2021
"Purchaser"	Lofty Idea Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Debt"	the aggregate unpaid consideration of RMB1,223,321,040 under commercial housing sales and purchases contracts in relation to the sale and purchase of the Property dated 27 February 2023 and 28 March 2023 entered into between Taiteng Real Estate (a member of the Target Group) and Junhui Real Estate (a wholly-owned subsidiary of China SCE), which was unsecured, interest-free, due and owing and shall be assigned to Zhongjun CM at Completion

"Sale Shares"	100 issued shares of the Target Company of US$1 each, representing the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SPA"	the agreement dated 6 November 2023 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares and the assignment of the Sale Debt
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy"	the strategy of the Company as described in the paragraph headed "Reasons and Benefits of this Acquisition" in this circular
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Taiteng Real Estate"	北京泰騰置業有限公司 (Beijing Taiteng Real Estate Co., Ltd.*), a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Target Company
"Target Company"	Mega Time Developments Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of China SCE as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries, namely Cheer Fantasy Investment Limited and Taiteng Real Estate
"US$"	United States dollar, the lawful currency of the United States
"Vendor"	China SCE Assets Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of China SCE

"Zhongjun CM"	上海中駿商業管理有限公司 (Shanghai Zhongjun Commercial Management Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of the Company
"%"	per cent

For illustration purposes only, in this circular, the conversion of RMB into HK$ is based on the exchange rate of RMB0.92 to HK$1.

* *for identification purpose only*

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:
Mr. 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

4 December 2023

To: The Shareholders

Dear Sir or Madam,

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

INTRODUCTION

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

Upon Completion, each member of the Target Group will become a wholly-owned subsidiary of the Company and their financial results will be consolidated in the consolidated financial statements of the Group.

The purpose of this circular is to provide you with (i) the details of the SPA and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the SPA and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the SPA and the transactions contemplated thereunder; and (iv) the notice of the EGM.

MAJOR TERMS OF THE SPA

The principal terms of the SPA are summarised below:

Date : 6 November 2023

Parties : (1) Vendor: China SCE Assets Holdings Limited

(2) Purchaser: Lofty Idea Enterprises Limited

Subject assets

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

Consideration

The Consideration for the sale and purchase of the Sale Shares and the Sale Debt is approximately RMB1,090 million, of which the consideration for the Sale Shares is US$100 (equivalent to RMB733 based on an exchange rate of US$:RMB = 1:7.334) which shall be settled outside the PRC and the remaining amount is the consideration for the Sale Debt which shall be settled in the PRC. The Consideration will be paid by the Purchaser to the Vendor in full on Completion Date. Approximately RMB150 million of the Consideration will be funded by internal resources of the Company and approximately RMB940 million of the Consideration will be funded by the idle proceeds from the initial public offering of the Company, the reasons of which are further elaborated in the paragraph headed "Reasons for and Benefits of the Acquisition" below.

Basis of determination of the Consideration

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

According to the valuation report prepared by Cushman & Wakefield Limited as set out in Appendix V to this circular, in valuing the Property in the PRC, the market comparison approach has been adopted by making reference to comparable sales evidence as available in the relevant market.

Market comparison approach is a market approach showing what price levels that the buyers really paid for the properties in the market, and a method of valuation based on comparing the property to be assessed directly with other comparable properties which recently changed hands. The Property has sufficient transactions in the relevant market and market comparison approach is a suitable method for valuing the Property.

The valuation was prepared by the independent property valuer Cushman & Wakefield Limited in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules, and The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors. In the course of the valuation, the valuer has relied on, among others, legal advice regarding the title of the Property, on the basis that the owner of the Property has an enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired land use term as granted. The valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser. No allowance has been made for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale, and it has been principally assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Under the market comparison approach, the comparable sales evidence taken into account by the valuer includes various recent sales of other similar properties of the same nature within the same district. The selling prices of those similar retail properties range from approximately RMB23,000 to RMB25,800 per square metre on gross floor area basis. After undertaking appropriate adjustments to those comparable unit selling prices, the valuer has adopted the unit price of about RMB23,860 per square metre on gross floor area basis for the Property. The market unit price adopted by the valuer is consistent with the level of the recent sales of other similar properties within the same district as mentioned above.

Ms. Grace S.M. Lam, who oversees the valuation, is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice), and has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries.

Having reviewed and taken into account that (i) the market comparison approach is an appropriate and common approach to determine the market value of the Property; (ii) the investigation and due diligence measures taken by Cushman & Wakefield Limited for conducting the valuation are to the satisfaction of the Company; (iii) the assumptions, market comparables and considerations made by Cushman & Wakefield Limited for the valuation are in line with industry practices; and (iv) Ms. Grace S.M. Lam has sufficient experience, qualification and current knowledge of the market to conduct the valuation, the Board is of the opinion that the valuation of the Property together with its basis, methodology and assumptions adopted by Cushman & Wakefield Limited as well as the Consideration are fair and reasonable.

Conditions precedent

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

1. The Company having obtained the necessary approval in relation to the SPA and all the transactions contemplated thereunder and all other relevant documents thereto from the Independent Shareholders in the EGM to be convened; and

2. up to the Completion Date, all representations, warranties or undertakings given by the Vendor under the SPA remaining true and accurate in all material aspects and are not misleading.

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

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

As at the Latest Practicable Date, none of the above Conditions has been waived or fulfilled.

Completion

The Completion shall take place on the Completion Date.

Upon Completion, each member of the Target Group will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated in the consolidated financial statements of the Group.

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

INFORMATION ON THE PARTIES

Information of the Purchaser and the Group

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

Information on the Target Group

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

Information on the Vendor and China SCE Group

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

Financial information of the Target Group

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

	For the six months ended 30 June	**For the financial year ended 31 December**	
	2023	**2022**	**2021**
	RMB	*RMB*	*RMB*
Revenue	9,136,193	—	—
Profit/(loss) before tax for the period/years	85,420,586	212,542	(20,895)
Profit/(loss) after tax for the period/years	64,064,215	206,835	(20,895)

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

Information of the Property

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

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

Pursuant to the commercial housing sales and purchase contracts in relation to the sale and purchase of the Property dated 27 February 2023 and 28 March 2023, Junhui Real Estate sold and Taiteng Real Estate (a member of the Target Group) purchased the Property at the aggregate unpaid consideration of RMB1,223,321,040, which forms the Sale Debt.

FINANCIAL EFFECTS OF THE ACQUISITION

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

Assets and liabilities

As at 30 June 2023, the unaudited consolidated total assets and liabilities of the Group amounted to approximately RMB3,284 million and RMB645 million, respectively. Assuming the Completion took place on 30 June 2023, the unaudited pro forma consolidated total assets and liabilities of the Enlarged Group would have increased to approximately RMB3,528 million and RMB692 million, respectively, as a result of the Acquisition.

Earnings

As the financial results of the Target Group will be consolidated with those of the Group after the Completion, the earnings of the Group will be affected by the performance of the Target Group as from Completion. The earnings of the Enlarged Group upon Completion will include share of the profit and loss of the Target Group. As disclosed in the paragraph headed "Reasons for and Benefits of the Acquisition" in this circular, the Property started generating rental income in March 2023. As set out in Appendix II to this circular, the profit after tax of the Target Group for the six months ended 30 June 2023 was approximately RMB64 million. The Directors believe that the Acquisition will broaden the Enlarged Group's source of income.

Further details of the financial effect of the Acquisition together with the bases in preparing the unaudited pro forma financial information are set out in Appendix IV to this circular.

The Group also expects to record a gain of approximately RMB198 million which represents the difference between (a) aggregate value of the Sale Debt and the net asset value of the Target Group as at 30 June 2023 and (b) the Consideration. The actual financial effect as a result of the Acquisition to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

CHANGE IN USE OF PROCEEDS FROM LISTING OF THE COMPANY

As disclosed in the financial reports published by the Company since the Listing and as at the Latest Practicable Date, the Net Proceeds of HK$1,018.8 million that was allocated for "Strategic Acquisitions and Investments in Other Property Management Companies and Service Providers" has remained unused. For the reasons elaborated in the paragraph headed "Reasons for and Benefits of the Acquisition" below, the Board has resolved to reallocate the unutilised Net Proceeds as follows:

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition was driven by the desire of the Company to expand its business into operating commercial properties in the midst of a downturn in the property management industry and generate greater profitability for the Shareholders. After the listing of the Company in July 2021, there was a downturn in the real estate industry since around late 2021, and the downturn in the property management industry which was closely associated with the real estate industry followed soon after. The suspension of land acquisition by China SCE Group in turn reduced the opportunities in property management for the Group, and thus the business development and future prospects of the Group has been significantly impacted, resulting in a material drop in the net profit of the Group for the year ended 31 December 2022.

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

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

The Company commenced search for potential acquisition targets soon after Listing and kicked off negotiations with four Original Targets (two engaged in residential property management and the other two engaged in commercial property management), which were parties independent from the Company and its connected persons, and evaluated the acquisition proposals offered by them which include the basic financials and portfolio of properties under management and the proposed sale price. Despite the management of the Company had made efforts to explore the possibilities of acquiring Original Targets among those that could meet the selection criteria set by the Company in the Prospectus, in the context of an overall market downturn which was unexpected of at the time of preparation for Listing, it was found that the Original Targets typically had a high price-to-earnings ("**P/E**") ratios, low rent collection rates, low occupancy rates, poor physical condition of properties and uncertainties to the pipeline of property management opportunities:

	Negotiation timeline	**Reasons for termination of negotiation**
Company A (a residential property management company)	The Company approached Company A in early August 2021 and terminated negotiation by the end of September 2021 after conducting due diligence.	The sale price proposed by Company A was too high in relation to its then profitability and was considered to be out of the expected range by the Company's management. Moreover, Company A has been loss-making at that time, which required subsequent improvement in the business efficiency in order to achieve profitability.
Company B (a residential property management company)	The Company approached Company B in early September 2021 and terminated negotiation by the end of September 2021 after conducting due diligence.	The sale price proposed by Company B was too high and amounted to a P/E ratio of approximately 21x, which was considered to be out of the expected range by the Company's management.

	Negotiation timeline	Reasons for termination of negotiation
Company C (a commercial property management company)	The Company approached Company C in October 2021 and conducted due diligence and negotiation from October 2021 to November 2021. Negotiation was terminated by the Company in December 2021.	From the due diligence it was found that most of the projects under Company C was properties under construction, and the quality of the properties in operation was no satisfactory e.g. there were low occupancy rate, low rent collection rate and poor physical condition of properties, which cast uncertainties in the future development of Company C. Further, the sale price proposed by the vendor was also too high and amounted to a P/E ratio of approximately 34x, which was considered to be out of the expected range by the Company's management.
Company D (a commercial property management company)	The Company started negotiation with Company D in December 2021. The negotiation was halted because of the pandemic and later resumed in June 2022. Negotiation was terminated by the Company in August 2022.	The sale price proposed by Company D was too high and amounted to a P/E ratio of approximately 29x, which was considered to be out of the expected range by the Company's management. Given the large scale of Company D and its high proposed sale price, the Company's management decided to terminate the negotiation to focus its resources on the Company's development strategy.

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

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

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

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

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

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

The Property under the Acquisition is the only outlet-based shopping mall complex which has commenced operation out of all the shopping malls of China SCE Group, and the transaction terms are more favourable to the Company than those offered by other potential targets holding outlet-based shopping malls. The occupancy rate of the Property as at 30 June

2023 is 100%. The rental income for the period since when the Property started generating rental income in March to August 2023 was approximately RMB12.1 million, and by annualising such income, the estimated total rental income for a 12-month period is expected to be approximately RMB35.2 million (excluding the effect of rent-free period). Dividing such estimated rental income for a 12-month period by the Consideration, the rate of return is expected to be approximately 3.2%. The occupants of the Property currently consists of approximately 200 shops which have entered into tenancy agreements of one to 15 years. With the desirable qualities of the Property and the good prospects of expansion into Outlet-based Shopping Mall Operation, the Board decided to utilise the idle cash for the Acquisition, which entails a steady stream of rental income with growth potential for the Group.

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

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

Despite China SCE Group and the Group will both own shopping malls after Completion, a clear delineation will be maintained. Outlet-based shopping malls will be owned by the Group, while traditional shopping malls will be owned by China SCE Group. The Group will continue to provide property management services to both types of shopping malls developed by China SCE Group. Outlet-based shopping malls are typically located in areas outside city centres where public transportation is readily available, and offer off-season branded goods at a discounted pricing, while traditional shopping malls usually offer a greater variety of the latest goods and typically located either near city centres which have more accessible transportation, or in remote locations close to residential properties. The customer and cooperative modes for traditional shopping malls and outlet-based shopping malls also differ, with traditional shopping malls operators generally relying on fixed monthly rental income from tenants, while outlet-based shopping malls operators generally generate revenue from the spending from retail customers in the shops of the tenants and share a portion of such revenue with the tenants based on pre-agreed sharing ratios. As such, greater promotional efforts from the shopping mall operators are usually directed toward outlet-based shopping malls than traditional shopping malls, and such efforts include but are not limited to periodic reviews of the marketability of the types of goods being sold and the efficiency of existing sales force.

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

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

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

LISTING RULES IMPLICATIONS

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

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

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

Maxa Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM to be held at R2, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 21 December 2023 at 4:00 p.m. is set out on pages EGM-1 to EGM-2 to this circular.

At the EGM, ordinary resolutions will be proposed to approve the SPA and the transactions contemplated thereunder.

Whether or not you are able to attend and/or vote at the extraordinary general meeting in person, you are requested to complete the enclosed proxy form and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting (i.e., at or before 4:00 p.m. on Tuesday, 19 December 2023 (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjournment thereof in person should you so wish.

As at the Latest Practicable Date, Happy Scene Global Limited, an indirect wholly-owned subsidiary of China SCE, held 1,248,490,946 Shares, representing approximately 64.52% of the entire issued share capital of the Company. Any Shareholder who has material interest in the SPA and the transactions contemplated thereunder shall abstain from voting on the resolution to be proposed at the EGM to approve the SPA 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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 18 December 2023 to Thursday, 21 December 2023, both dates inclusive, during which period no transfer of the Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers of the Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Friday, 15 December 2023.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 22 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 53 of this circular in connection with the SPA and the transactions contemplated thereunder and reasons considered in arriving at such advice.

The Independent Board Committee, having taken into account the advice of Independent Financial Adviser, considers that, although the Acquisition is not in the ordinary and usual course of business of the Group, the SPA was entered into on normal commercial terms, and the terms are fair and reasonable so far as the Independent Shareholders are concerned. In addition, the Independent Board Committee considers that the SPA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of resolution(s) approving the SPA and the transactions contemplated thereunder at the EGM. The Board (including the independent non-executive Directors) also recommends the Independent Shareholders to vote in favour of the approving the SPA and the transactions contemplated thereunder at the EGM.

FURTHER INFORMATION

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

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

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)

4 December 2023

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 4 December 2023 issued by the Company of which this letter forms part (the "**Circular**"). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to give recommendation to the Independent Shareholders on the SPA and the transactions contemplated thereunder. We wish to draw your attention to the letter from the Board set out on pages 6 to 21 of the Circular and the letter from the Independent Financial Adviser set out on pages 23 to 53 of the Circular.

Having considered the factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter, we are of the view that, although the Acquisition is not in the ordinary and usual course of business of the Group, the SPA and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the SPA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. We, therefore recommend the Independent Shareholders to vote in favour of the resolutions approving the SPA and the transactions contemplated thereunder at the EGM.

Yours faithfully,
Independent Board Committee

Ding Zuyu
Independent Non-Executive Director

Wang Yongping
Independent Non-Executive Director

Pang Hon Chung
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 SPA 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
Wanchai
Hong Kong

4 December 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

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

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 terms of the SPA 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 4 December 2023 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

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

LISTING RULES IMPLICATION

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

The Company will convene an EGM for the Independent Shareholders to consider and, if thought fit, to approve the SPA and the transactions contemplated thereunder. The votes to be taken at the EGM in relation to the above proposed resolutions will be taken by poll. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder apart from Happy Scene Global Limited, which is interested in 1,248,490,946 Shares representing approximately 64.52% of the entire issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the resolutions approving the SPA and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Ding Zuyu, Mr. Wang Yongping and Mr. Pang Hon Chung, has been established to advise the Independent Shareholders in respect of the terms of the SPA 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 terms of the SPA and the transactions contemplated thereunder. In the past two years, we were appointed by the Company as the independent financial adviser in respect of a major and connected transaction, details of which were set out in the circular of the Company dated 12 December 2022. Save as disclosed above and apart from the normal advisory fee payable to us in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the SPA; (ii) the annual report of the Company for the year ended 31 December 2021 (the "**2021 AR**"); (iii) the annual report of the Company for the year ended 31 December 2022 (the "**2022 AR**"); (iv) the interim report of the Company for the six months ended 30 June 2023 (the "**2023 IR**"); (v) the Prospectus; (vi) the audited consolidated financial statements of the Target Group; and (vii) the valuation report of the Property as prepared by Cushman & Wakefield Limited. 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 SPA and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons.

1. Background information on the Group and the Purchaser

The Purchaser is a wholly-owned subsidiary of the Company and is an investment holding 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 2023, the Group had (i) a large contracted property management portfolio encompassing 62 cities across 19 provinces, municipalities and autonomous regions in the PRC; and (ii) 261 and 177 contracted projects and project under management (including both commercial and residential), respectively, with a total contracted gross floor area ("**GFA**") of approximately 48.0 million square meters ("**sq.m.**") and a total GFA under management of approximately 27.7 million sq.m..

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2021 ("**FY2021**") and 31 December 2022 ("**FY2022**"), and for the six months ended 30 June 2022 ("**1H2022**") and 30 June 2023 ("**1H2023**") as extracted from the 2021 AR, 2022 AR and 2023 IR:

	For the year ended 31 December		**For the six months ended 30 June**	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	**1,230,050**	**1,182,371**	**604,623**	**620,265**
— Property management services	601,087	771,836	379,779	430,550
— Value-added services	342,464	365,491	199,808	183,318
— Commercial operational services	286,499	45,044	25,036	6,397
Gross profit	**580,869**	**429,958**	**251,756**	**211,835**
Profit for the year/period	**286,129**	**212,612**	**137,145**	**141,287**

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.

FY2022 vs FY2021

As illustrated in the table above, the Group's revenue amounted to approximately RMB1,182.4 million for FY2022, representing a decrease of approximately 3.9% as compared to FY2021. Benefiting from the increase in GFA under management, including both commercial and residential properties, from approximately 22.4 million sq.m. as at 31 December 2021 to approximately 25.7 million sq.m. as at 31 December 2022, the Group's revenue from property management service segment increased from approximately RMB601.1 million for FY2021 to approximately RMB771.8 million for FY2022. The Group's revenue from value-added services segment increased from approximately RMB342.5 million for FY2021 to approximately RMB365.5 million for FY2022, which was primarily due to (i) the combined effects of increase in GFA under management and the worse impact of the COVID-19 pandemic on the operations in FY2022 as compared to FY2021; (ii) the increase in revenue from the provision of the car park sales services; and (iii) the decrease in revenue from the provision of residential property agency services. The Group's revenue from commercial operational services segment decreased from approximately RMB286.5 million for FY2021 to approximately RMB45.0 million for FY2022, which was due to the temporary suspension of land acquisition by China SCE Group starting from 2022, causing the number of shopping malls for which the Group provided pre-opening management services decreased significantly from 30 in FY2021 to seven in FY2022.

The Group recorded profit for the year of approximately RMB212.6 million for FY2022, representing a decrease of approximately 25.7% as compared to the profit for the year of approximately RMB286.1 million for FY2021. The decrease in the Group's profit for the year for FY2022 was mainly due to (i) the decrease in the gross profit of the Group by approximately RMB150.9 million to approximately RMB430.0 million for FY2022 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 margin; and (ii) partially offset by the decrease in administrative expenses by approximately RMB23.8 million to approximately RMB194.7 million for FY2022 mainly due to the absence of one-off share issue expenses incurred in relation to the initial public offering of the Company in July 2021 (the "**IPO**") and the increase in other income and gains by RMB22.4 million to approximately RMB46.4 million for FY2022 mainly attributable to the increase in bank interest income.

1H2023 vs 1H2022

The total revenue of the Group was approximately RMB620.3 million for 1H2023, representing an increase of approximately 2.6% as compared to approximately RMB604.6 million for 1H2022. Such increase in the revenue was primarily attributable to (i) the increase in revenue from property management services segment by approximately RMB50.8 million to approximately RMB430.6 million for 1H2023 as a result of the increase in the Group's GFA under management from approximately 24.0 million sq.m. as at 30 June 2022 to approximately 27.7 million sq.m. as at 30 June 2023; and partially offset by (ii) the decrease in revenue derived from the value-added services segment by approximately RMB16.5 million to approximately RMB183.3 million for 1H2023 mainly due to the number of residential properties for which pre-delivery inspection services were provided decreased from 23 in 1H2022 to 17 in 1H2023; and (iii) the decrease in revenue from the commercial operational services segment by approximately RMB18.6 million to approximately RMB6.4 million for 1H2023 mainly due to the temporary suspension of land acquisition by China SCE Group starting from 2022, causing the number of shopping malls for which the Group provided pre-opening management services decreased significantly from seven in 1H2022 to two in 1H2023.

The Group recorded profit for the period of approximately RMB141.3 million for 1H2023, representing an increase of approximately 3.0% as compared to the profit for the period of approximately RMB137.1 million for 1H2022. The increase in the Group's profit for the period for 1H2023 was mainly due to (i) the decrease in the gross profit of the Group by approximately RMB39.9 million to approximately RMB211.8 million for 1H2023 mainly due to the decrease in the revenue from both the provision of value-added services and 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 RMB42.4 million to approximately RMB55.2 million for 1H2023 mainly due to the significant increase in bank interest income and interest income from loan to China SCE Group; and (iii) the decrease in administrative expenses by approximately RMB16.3 million to approximately RMB61.4 million in 1H2023 mainly attributable to implementation of cost saving scheme by the Group during 1H2023.

	As at 31 December		As at 30 June
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Non-current assets	60,306	718,370	823,907
— Amount due from a related party	—	644,445	754,144
Current assets	2,998,428	2,466,574	2,460,571
— Trade receivables	71,762	181,784	237,606
— Pledged deposits	—	1,000,000	—
— Cash and cash equivalents	2,899,610	1,227,290	2,162,958
Total assets	**3,058,734**	**3,184,944**	**3,284,478**
Non-current liabilities	8,440	828	131
Current liabilities	607,794	596,156	645,120
— Trade payables	76,800	75,058	84,045
— Other payables and accruals	253,695	270,965	267,843
— Amounts due to related parties	47,060	—	—
— Contract liabilities	192,437	197,808	247,248
Total liabilities	**616,234**	**596,984**	**645,251**
Net current assets	**2,390,634**	**1,870,418**	**1,815,451**
Net assets	**2,442,500**	**2,587,960**	**2,639,227**

The Group had total assets of approximately RMB3,184.9 million as at 31 December 2022, which mainly comprised of (i) secured loan to China SCE Group of approximately RMB644.4 million bearing fixed interest of 7.0% per annum; (ii) trade receivables of approximately RMB181.8 million; and (iii) pledged deposits and cash and bank balances in aggregate of approximately RMB2,227.3 million. The Group had total assets of approximately RMB3,284.5 million as at 30 June 2023, which mainly comprised of (i) secured loan to China SCE Group of approximately RMB754.1 million bearing fixed interest of 7.0% per annum; (ii) trade receivables of approximately RMB237.6 million; and (iii) cash and bank balances of approximately RMB2,163.0 million.

The Group had total liabilities of approximately RMB597.0 million as at 31 December 2022, which mainly comprised of (i) trade payables of approximately RMB75.1 million; (ii) other payables and accruals of approximately RMB271.0 million; and (iii) contract liabilities of approximately RMB197.8 million. The Group had total liabilities of approximately RMB645.3 million as at 30 June 2023, which mainly comprised of (i) trade payables of approximately RMB84.0 million; (ii) other payables and accruals, which mainly comprised of deposits from tenants, residents and subcontractors, accrued expenses and utility charges received in advance from tenants or residents, value-added tax payable, fees payable to owners under community value-added service arrangements, and community repair and maintenance provision funds, of approximately RMB267.8 million; and (iii) contract liabilities, which mainly represented prepayments for property management fees paid by customers of the Group's commercial property management and operational services and residential property management services, of approximately RMB247.2 million.

The increase in the total assets by approximately RMB126.2 million to approximately RMB3,184.9 million as at 31 December 2022 as compared to 31 December 2021 was mainly due to the combined effects of (i) loan advanced to China SCE Group during FY2022 with carry amount of approximately RMB644.4 million as at 31 December 2022; (ii) the increase in trade receivables by approximately RMB110.0 million mainly due to business expansion and decrease in collection rate of property management fee as a result of COVID-19 pandemic; and (iii) the decrease in pledged deposits and cash and bank balances in aggregate by approximately RMB672.3 million mainly due to the loan advanced to China SCE Group as mentioned above. The decrease in total liabilities by approximately RMB19.3 million to approximately RMB597.0 million as at 31 December 2022 as compared to 31 December 2021 was mainly due to the combined effects of (i) the increase in other payables and accruals by approximately RMB17.3 million mainly due to business expansion of the Group; (ii) the decrease in amounts due to China SCE Group of approximately RMB47.1 million as a result of the repayment made to China SCE Group during FY2022; (iii) the increase in contract liabilities by approximately RMB5.4 million due to increase in customers' demand for the Group's residential property management services; and (iv) the increase in tax payable by approximately RMB14.5 million.

The increase in the total assets by approximately RMB99.5 million to approximately RMB3,284.5 million as at 30 June 2023 as compared to 31 December 2022 was mainly attributable to (i) the increase in loan advanced to China SCE Group by approximately RMB109.7 million to approximately RMB754.1 million as at 30 June 2023; (ii) the increase in trade receivables by approximately RMB55.8 million mainly due to business expansion and decrease in collection rate of property management fee; and partially offset by (iii) the decrease in pledged deposits and cash and bank balances in aggregate by approximately RMB64.3 million as a result of additional loan advanced to China SCE Group during 1H2023. The increase in total liabilities by approximately RMB48.3 million to approximately RMB645.3 million as at 30 June 2023 as compared to 31 December 2022 was mainly due to (i) the increase in contract liabilities by approximately RMB49.4 million as a result of implementation of promotional activities used to attract more prepayment for property management fee from the residents in early 2023; and partially offset by (ii) the decrease in other payables and accruals by approximately RMB3.1 million.

The Group's current ratio increased from approximately 4.9 times as at 31 December 2021 to approximately 4.1 times as at 31 December 2022, which was mainly attributable to the decrease in the cash and bank balances (including pledged deposits) as at 31 December 2022 as a result of the secured loan advanced to China SCE Group which is repayable in 2024. The Group's current ratio further decreased to approximately 3.8 times as at 30 June 2023 which was mainly due to the increase in contract liabilities. The Group did not incur any borrowings as at each of 31 December 2021, 31 December 2022 and 30 June 2023. 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 2021, 31 December 2022 and 30 June 2023.

2. Background information on China SCE Group, the Vendor, the Target Group and the Property

2.1 Information on China SCE Group and the Vendor

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

2.2 Information on the Target Group

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

2.3 Information of the Property

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

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

2.4 Financial information of the Target Group

Set out below is the audited consolidated financial information of the Target Group for the three years ended 31 December 2022 and for the six months ended 30 June 2022 and 2023, respectively, based on the financial statements of the Target Group as set out in Appendix II to the Circular.

	For the year ended 31 December			**For the six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue	**—**	**—**	**—**	**—**	**9,136**
Gross profit	**—**	**—**	**—**	**—**	**3,508**
Profit/(loss) for the year/ period	**(24)**	**(21)**	**207**	**(3)**	**64,064**

The Target Group had not commenced business operation and hence did not generate any revenue for the year ended 31 December 2020 ("**FY2020**"), FY2021 and FY2022. Pursuant to two commercial housing sales and purchases contracts dated 27 February 2023 and 28 March 2023, respectively, entered into between Taiteng Real Estate and Junhui Real Estate (collectively the "**Previous Acquisition Agreements**"), Taiteng Real Estate agreed to acquire the Property, with an aggregate GFA of approximately 78,500 sq.m., from Junhui Real Estate for an aggregate consideration (inclusive of applicable tax and surcharges) of RMB1,223,321,040 (the "**Previous Acquisition**"), and such unpaid consideration forms the Sale Debt. Based on our review of the Previous Acquisition Agreements, we note that the Property was part of a mixed-use property development project comprising of residential properties, commercial properties and other facilities, developed by Junhui Real Estate. As advised by the Management, China SCE Group originally intended to hold the Property for generating rental income from its outlet-based shopping mall operation. Therefore, for the sake of internal management and delineation from the non-commercial property business, after completion of its construction, the Property was transferred from Junhui Real Estate, being the property developer of the Property, to Taiteng Real Estate, being an investment vehicle of the Property.

We note from the Letter from the Board that the original land acquisition, construction and development cost of the Property incurred by Junhui Real Estate was approximately RMB1.4 billion (the "**Original Acquisition Cost**"), which is higher than the consideration of the Previous Acquisition of approximately RMB1.2 billion. Given that both Taiteng Real Estate and Junhui Real Estate are wholly-owned subsidiaries of China SCE Group and the Previous Acquisition was an internal transfer of the Property within China SCE Group, the Management advises that both parties might not necessarily take into consideration of the Original Acquisition Cost when determining the consideration of the Previous Acquisition.

Further, we note that the market value of the Property of approximately RMB1,241.0 million as at 30 September 2023 (please refer to the sub-section headed "5.1 Valuation Report" below for details) is at a slight premium of approximately 1.4% over the consideration of the Previous Acquisition of approximately RMB1,223.3 million.

In the first quarter of 2023, the Target Group completed the Previous Acquisition. The Target Group's revenue of approximately RMB9.1 million for 1H2023 mainly represented rental income of approximately RMB8.8 million generated from the Property.

The Target Group recorded loss of approximately RMB0.02 million and RMB0.02 million for FY2020 and FY2021, respectively. The Target Group recorded profit of approximately RMB0.2 million for FY2022, which was mainly attributable to project management services income of approximately RMB0.3 million generated during FY2022. The Target Group recorded profit of approximately RMB64.1 million for 1H2023, which was mainly attributable to (i) rental income of approximately RMB8.8 million generated from the Property subsequent to the completion of the Previous Acquisition in the first quarter of 2023; and (ii) fair value gain on the Property of approximately RMB85.0 million, net of related deferred tax expenses of approximately RMB21.3 million.

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Non-current assets	—	—	—	1,241,000
— Investment properties	—	—	—	1,241,000
Current assets	37	793	8,791	103,812
— Prepayments and other receivables	—	—	1,271	101,599
— Due from a fellow subsidiary	—	746	7,180	—
Total assets	**37**	**793**	**8,791**	**1,344,812**
Non-current liabilities	—	—	—	21,254
— Deferred tax liabilities	—	—	—	21,254
Current liabilities	92	867	8,664	1,259,371
— Trade payables	—	—	—	12,276
— Other payables and accruals	13	773	8,547	11,941
— Due to follow subsidiaries	69	67	73	1,235,007
Total liabilities	**92**	**867**	**8,664**	**1,280,626**
Net current assets/(liabilities)	**(55)**	**(73)**	**127**	**(1,155,559)**
Net assets/(liabilities)	**(55)**	**(73)**	**127**	**64,186**

The Target Group's total assets amounted to approximately RMB0.04 million, RMB0.8 million, RMB8.8 million and RMB1,344.8 million as at each of 31 December 2020, 2021 and 2022 and 30 June 2023. The significant increase in total assets by approximately RMB1,336.0 million as at 30 June 2023 as compared to 31 December 2022 was mainly due to the completion of the Previous Acquisition during 1H2023, resulting in (i) the recognition of the Property's market value of approximately RMB1,241.0 million as investment properties of the Target Group; and (ii) increase in prepayments and other receivables by approximately RMB100.3 million mainly due to the prepayment made in relation to valued-added taxes on the Property.

The Target Group's total liabilities amounted to approximately RMB0.1 million, RMB0.9 million, RMB8.7 million and RMB1,280.6 million as at each of 31 December 2020, 2021 and 2022 and 30 June 2023. The increase in total liabilities by approximately RMB7.8 million to approximately RMB8.7 million as at 31 December 2022 as compared to 31 December 2021 was mainly due to the increase in other payables and accruals by approximately RMB7.8 million as a result of the rental deposits received from the tenants in preparation of the opening of the outlet-based shopping mall in the first half of 2023. The significant increase of total liabilities by approximately RMB1,272.0 million to approximately RMB1,280.6 million as at 30 June 2023 as compared to 31 December 2022 was mainly due to (i) the unpaid consideration of the Previous Acquisition of approximately RMB1,223.3 million due to Junhui Real Estate. Such amount due to Junhui Real Estate was unsecured, interest-free and repayable on demand; (ii) the increase in trade payables by approximately RMB12.3 million mainly due to the operating costs incurred for the Property upon its opening during 1H2023; and (iii) deferred tax liabilities of approximately RMB21.3 million recognised in respect of the fair value gain on the Property of approximately RMB85.0 million.

3. Reasons for and benefits of the Acquisition

3.1 Overview of the PRC property market

The table below sets forth selected indicators of the PRC property market for the years indicated:

	2018	2019	2020	2021	2022
Total real estate investment *(RMB billion)*	12,026.4	13,219.4	14,144.3	14,760.2	13,289.5
Investment in residential properties *(RMB billion)*	8,519.2	9,707.1	10,444.6	11,117.3	10,064.6
GFA of properties under construction *(million sq.m.)*	8,223.0	8,938.2	9,267.6	9,753.9	9,050.0
GFA of residential properties under construction *(million sq.m.)*	5,699.9	6,276.7	6,555.6	6,903.2	6,397.0
GFA of properties construction commenced *(million sq.m.)*	2,093.4	2,271.5	2,244.3	1,989.0	1,205.9
GFA of residential properties construction commenced *(million sq.m.)*	1,533.5	1,674.6	1,643.3	1,463.8	881.4
GFA of properties completed *(million sq.m.)*	935.5	959.4	912.2	1,014.1	862.2
GFA of residential properties completed *(million sq.m.)*	660.2	680.1	659.1	730.2	625.4
GFA of commodity properties sold *(million sq.m.)*	1,716.5	1,715.6	1,760.9	1,794.3	1,358.4
GFA of commodity residential properties sold *(million sq.m.)*	1,479.3	1,501.4	1,548.8	1,565.3	1,146.3

Source: National Bureau of Statistics

Although both the total real estate investment and GFA of properties under construction continued to record growth from 2018 to 2021, the GFA of properties construction commenced recorded year-on-year ("**yoy**") decreased of approximately 11.4% in 2021 and the GFA of properties completed recorded yoy decrease of approximately 4.9% in 2020. We believe that such decreases were mainly due to the adverse impact of the quarantine measures of COVID-19 pandemic which caused delay in construction schedules of property development projects. In recent years, the PRC government implemented a series of macro regulation policies, coupled with the slowdown of growth in the PRC economy during the pandemic, led to slowdown of the PRC real estate market. For instance, in 2020, the Ministry of Housing and Urban-Rural Development of the PRC and the People's Bank of China proposed restrictive rules that limit the growth of real estate companies' interest-bearing debt and financing activities in a symposium jointly held by the agencies (the "**Proposed Standards**"). The Proposed Standards lay out three red line standards on debt-to-asset ratio, net gearing ratio and cash to short-term debt ratio applicable to property developers and restrictions on their size of interest-bearing liabilities should they were unable to complies with the three red line standards. Subsequently, in 2021, the tightening of mortgage loan from banks and the introduction of second-hand housing price by local governments led to a rapid cooling of transactions in the PRC real estate market. With the tightening of the regulatory policies and credit environment, the sales of properties begun to drop in the second half of 2021. Against this background, the PRC property market witnessed a downturn in 2022 as all of the indicators illustrated in the table above recorded yoy decreases ranging from approximately 7.2% to 39.8% in 2022 as compared to 2021.

3.2 Business rationale for changes of use of proceeds from the IPO

As disclosed in the Letter from the Board, the Acquisition was driven by the desire to expand its business into operating commercial properties in the midst of a downturn in the property management industry and generate greater profitability for the Shareholders. After the listing of the Company in July 2021, there was a downturn in the real estate industry since around late 2021, and the downturn in the property management industry which was closely associated with the real estate industry followed soon after. The suspension of land acquisition by China SCE Group in turn reduced the opportunities in property management for the Group, and thus the business development and future prospects of the Group has been significantly impacted, resulting in a material drop in the net profit of the Group for FY2022.

Based on our review of the 2021 AR and 2022 AR, we note that the Group's total revenue increased by approximately 52.7% from approximately RMB805.3 million for FY2020 to approximately RMB1,230.1 million for FY2021, and then decreased by approximately 3.9% to approximately RMB1,182.4 million for FY2022. Although the Group's revenue generated from property management services segment continued to record growth for FY2021, FY2022 and 1H2023, we note that yoy growth rate had slowed down from approximately 43.8% for FY2021 to approximately 28.4% for FY2022 and further decreased to approximately 13.4% for 1H2023 as compared to 1H2022. In addition, due to the temporary suspension of land acquisition by China SCE Group starting from 2022, the number of shopping malls for which the Group provide pre-opening management services decreased significantly from 30 in FY2021 to seven in FY2022 and further decreased to two in 1H2023. As such, the Group's revenue from commercial operational services segment recorded yoy decrease of approximately 84.3% for FY2022 and decrease of approximately 74.4% for 1H2023 as compared to 1H2022. The Group also experienced slowdown in its property management portfolio as the growth rates of contracted and managed GFA decreased from approximately 25.9% and 37.9% between 31 December 2020 and 2021 to approximately 4.5% and 14.8% respectively between 31 December 2021 and 2022.

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

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

In order to understand whether the downturn of the PRC real estate industry in recent years would have a negative impact on the strategic investment or merger and acquisition activities of the PRC property management industry, we have conducted a review on the property management companies based on the following criteria, (i) listed on the Main Board of the Stock Exchange during 2021; (ii) over 50% of its total revenue derived from the provision of property management services in the PRC; and (iii) allocated not less than 40% of the net proceeds from its initial public offerings mainly for strategic acquisitions and investments in property management companies and downstream property management service providers ("**Strategic Investment**"). Given that the Company was listed on the Stock Exchange in July 2021 and allocated 50% of the Net Proceeds for strategic acquisitions and investments of the Original Targets, we consider that the above selection criteria would enable us to observe the progress of other property management companies in utilising its funding for Strategic Investment after their listing on the Stock

Exchange. Based on the above selection criteria, we have identified an exhaustive list of eleven comparable companies (the "**Comparable Companies**") as follow:

Listing date	**Stock code**	**Company name**	**Intended use of net proceeds for Strategic Investment** *(Note 1)*	**% of total net proceeds allocated for Strategic Investment** *(Note 2)*	**% of net proceeds utilised as at 30 June 2023** *(Note 3)*
8 July 2021	1965	Landsea Green Life Service Company Limited ("**Landsea Life Service**")	Strategic acquisitions and investments in property management companies that (i) will create synergies with its business; and (ii) provide property management services and community value-added services	56.8%	100.0%
15 January 2021	2146	Roiserv Lifestyle Services Co., Ltd. ("**Roiserv Lifestyle**")	Strategic acquisitions and investments in (i) property management companies; (ii) downstream companies; and (iii) companies engaging in environmental sanitation, medical beauty and tourism and accommodation	40.0%	49.5%
12 July 2021	2165	Ling Yue Services Group Limited	Acquire and invest in other property management companies	70.0%	0.5%
16 July 2021	2205	Kangqiao Service Group Limited	(i) acquire and invest in other property management companies; (ii) acquire professional service companies; and (iii) cooperate with local municipal investment companies or local property developers	65.0%	21.0%
16 July 2021	2207	Ronshine Service Holding Co., Ltd.	Pursue selective strategic investment and acquisition of property management companies	60.0%	0.0%

Listing date	Stock code	Company name	Intended use of net proceeds for Strategic Investment *(Note 1)*	% of total net proceeds allocated for Strategic Investment *(Note 2)*	% of net proceeds utilised as at 30 June 2023 *(Note 3)*
10 November 2021	2210	Beijing Capital Jiaye Property Services Co., Limited	Pursue strategic investment and acquisition opportunities with property management companies and downstream property management service providers	60.0%	6.3%
15 July 2021	2215	Dexin Services Group Limited	(i) acquire or invest in other property management companies; and (ii) diversify and expand its service offerings	65.0%	0.0%
17 December 2021	2270	Desun Real Estate Investment Services Group Co., Ltd.	Acquire majority interest or minority interests or set up joint venture with property management and commercial property operational service providers	60.0%	0.0%
25 May 2021	3658	New Hope Service Holdings Limited	Acquire and invest in other property management companies that focus on residential properties and non-residential properties such as office buildings, commercial complexes, and healthcare and education facilities	55.0%	1.3%
28 June 2021	6626	Yuexiu Services Group Limited	(i) acquire or invest in providers of residential, public or commercial property management service; (ii) acquire companies providing property management related services	60.0%	1.5%

Listing date	Stock code	Company name	Intended use of net proceeds for Strategic Investment *(Note 1)*	% of total net proceeds allocated for Strategic Investment *(Note 2)*	% of net proceeds utilised as at 30 June 2023 *(Note 3)*
18 January 2021	9608	Sundy Service Group Co., Ltd.	Acquire, invest in, or form strategic alliance with one or more than one financially sound property management company with business focus on provision of property management services to residential and/or non-residential properties	48.0%	15.3%

Source: the Stock Exchange website

Notes:

1. The intended use of the net proceeds for Strategic Investment is summarised from the relevant IPO prospectus of the Comparable Companies.

2. The percentage of total net proceeds allocated for Strategic Investment is extracted from the relevant IPO prospectus of the Comparable Companies.

3. We calculated the percentage of net proceeds utilised as at 30 June 2023 based on the information disclosed in the relevant interim report of the Comparable Companies for the six months end 30 June 2023.

As illustrated in the table above, as at 30 June 2023, Landsea Life Service and Roiserv Lifestyle had utilised 100% and 49.5% of its net proceeds for Strategic Investment, respectively. Out of the remaining nine Comparable Companies, six of which had partially utilised its net proceeds for Strategic Investment with utilisation rates ranging from approximately 0.5% to 21.0% and the other three Comparable Companies had not yet utilised its net proceeds as at 30 June 2023. While we reckon that each of the Comparable Companies would have different selection criteria or requirements on the acquisition or investment targets, we believe that the relatively low utilisation rates of the net proceeds for Strategic Investment would suggest that the willingness or risk appetite of the Comparable Companies to expand its business by way of Strategic Investment have decreased in recent years in light of the uncertainty surrounding the prospect of the PRC property management industry, which we consider to be in line with the Directors' view that the Original Targets were no longer the most suitable way for the Company to expand its existing business.

As discussed in the section headed "1. Background information on the Group and the Purchaser" above, the Group's pledged deposits and cash and cash equivalents in aggregate amounted to approximately RMB2,227.3 million and RMB2,163.0 million as at 31 December 2022 and 30 June 2023 respectively. As advised by the Management, the Group had utilised its idle funds to carry out low-risk investment activities, such as depositing funds in reputable commercial banks with interest rates not more than 2.25% per annum. During FY2022 and 1H2023, the Group's bank interest income was approximately RMB32.9 million and RMB21.3 million, respectively. As disclosed in the Letter from the Board, the estimated total rental income (excluding the effect of rent-free period) of the Property for a 12-month period is expected to be approximately RMB35.2 million, and generate a rate of return of approximately 3.2% per annum, which would be higher than the returns generated from the deposit of idle funds.

In view of (i) the downturn of the PRC property market as discussed in the section headed "3.1 Overview of the PRC property market" above, which in turn negatively affects the organic growth and business development of the Group as well as the prospect of the property management industry; (ii) the slowdown in the growth rates of the Group's revenue generated from property management services and the property management portfolio as discussed above; (iii) the sluggish investment and merger and acquisition activities in the PRC property management industry as witnessed by the Comparable Companies' relatively low utilisation rates of the net proceeds raised from initial public offering for Strategic Investment; and (iv) the expected return generated from the Acquisition is higher than the alternative use of the idle funds by the Group, we concur with the Directors' view that the unused Net Proceeds be allocated for other types of acquisition targets in order to foster the Group's business growth.

3.3 Prospect of the PRC outlet mall and potential synergies to the Group's existing business

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

Based on our view of the 2022–2023 China Outlet Industry White Paper (《2022–2023中國奧特萊斯行業白皮書》) published by the China Commerce Association for General Merchandise[1] (中國百貨商業協會) ("**CCAGM**"), we note that the total sales from outlet malls (with GFA over 30,000 sq.m.) reached approximately RMB210 billion in 2022. In addition, the sales growth of outlet malls in 2020, 2021 and 2022 were approximately 8.0%, 15.0% and 8.0%, respectively, which outpaced the sales growth of department stores, supermarket and specialty stores during the same period. The expansion of the outlet mall business is primarily driven by, among others, the increase in middle class population as well as increase in purchasing power of third-tier and fourth-tier cities. Further, based on data recently released by CCAGM, we note that the sales momentum of outlet malls continued in the first half of 2023 and reached approximately RMB130 billion.

We note from the Prospectus that the Group begun to provide commercial property management and operational services to commercial properties in 2009 and has an experienced management team in the field of commercial property operation. Based on the information disclosed in the 2023 IR, as at 30 June 2023, the Group (i) managed a total of 12 shopping street and shopping malls with total GFA of approximately 1.3 million sq.m.; and (ii) was contracted to 20 shopping malls with total GFA of approximately 2.6 million sq.m.. The Group provides wide range of commercial property management and operational services including, among others, provision of marketing and promotion services to property developers, property owners and tenants, tenant assistance, tenant acquisition, tenant management, rental collection, advertising space and other common area management services, all of which we believe are relevant and complement to the Outlet-based Shopping Mall Operations.

In view of the prospect of the outlet mall industry as discussed above and the Group's proven track record in the provision of management and operational services to shopping malls, we consider that the expansion to Outlet-based Shopping Mall Operation would be beneficial to the Group.

3.4 Reason for selecting the Property

We have discussed with the Management and understand that, prior to entering into of the SPA, the Group had commenced negotiations with various acquisition targets holding outlet-based shopping malls. As advised by the Management, based on the selection criteria of outlet malls with total GFA of at least 50,000 sq.m. and operate under a chain of similar outlet-based shopping malls, the Group identified three potential acquisition targets (apart from the Property) which fulfilled such criteria. However, due to various reasons such as proposed sale prices exceed the Group's expectation, location or condition of the property did not match with the Group's strategy, the Group decided to not proceed further.

1 China Commerce Association for General Merchandise was established in 1990, which is one of the leading associations in retail industry in China and has nearly 1,000 members.

Having explored various acquisition targets, and after negotiation with China SCE and conducting due diligence such as evaluating the feasibility of operating outlet-based shopping malls by the Company, reviewing the location and target customers' demand, assessing the size and value, and analysing its expected income, the Company ultimately identified the Target Company through Taiteng Real Estate which holds the Property as the most suitable acquisition target to expand its property portfolio and utilize its property management capabilities. We understand from the Management that the Group is familiar with the condition and operation of the Property as it is currently managed by the Group and operated under the brand "SCE Funworld" (中駿世界城), which is same brand as the other shopping malls managed by the Group. As advised by the Management, shortly after its opening in March 2023, the occupancy rate of the Property has reached 100% as at 30 June 2023 and generated monthly rental income of approximately RMB2.9 million, excluding the effect of rent free period. The occupants of the Property currently consists of approximately 200 shops which have entered into tenancy agreements of one to 15 years.

In light of the above, we concur with the Directors' view that the Property would entail a steady stream of rental income with growth potential for the Group.

4. Principal terms of the SPA

The principal terms of the SPA are set out below:

Date

6 November 2023

Parties

(a) China SCE Assets Holdings Limited, as the Vendor; and

(b) Lofty Idea Enterprises Limited, as the Purchaser

Subject assets

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

Consideration

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

The Consideration will be paid by the Purchaser to the Vendor in full on Completion Date. Approximately RMB150 million of the Consideration will be funded by internal resources of the Company and approximately RMB940 million of the Consideration will be funded by the idle proceeds from the IPO, the reasons of which are further elaborated in the paragraph headed "Reasons for and Benefits of the Acquisition" in the Letter from the Board.

Basis of determination of the Consideration

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

Conditions precedent

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

1. the Company having obtained the necessary approval in relation to the SPA and all the transactions contemplated thereunder and all other relevant documents thereto from the Independent Shareholders in an extraordinary general meeting to be convened; and

2. up to the Completion Date, all representations, warranties or undertakings given by the Vendor under the SPA remaining true and accurate in all material aspects and are not misleading.

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

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

As at the Latest Practicable Date, none of the above Conditions has been waived or fulfilled.

Completion

The Completion shall take place on the Completion Date.

Upon Completion, each member of the Target Group will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated in the consolidated financial statements of the Group.

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

5. Basis of the Consideration

As disclosed in the Letter from the Board, the Property has been preliminary valued by an independent valuer at approximately RMB1,241 million as at 30 September 2023 using market comparison method, which is equivalent to the book value of the Property as at 30 June 2023. Considering that the aggregate value of the Sale Debt and the net asset value of the Target Group as at 30 June 2023 was approximately RMB1,288 million (the "**Adjusted NAV**"), the Consideration of RMB1,090 million was determined at a discounted to the Adjusted NAV as at 30 June 2023.

The following table demonstrates the calculations of the Adjusted NAV as at 30 June 2023 and the Consideration:

	RMB'000
Audited net asset value attributable to the owners of the Target Group as at 30 June 2023 *(Note 1)*	64,186
Add:	
Assignment of Sale Debt to the Group	1,223,321
Equal to:	
Adjusted NAV as at 30 June 2023	1,287,507
Less:	
Approximately 15.34% discount to the Adjusted NAV*(Note 2)*	197,507
Consideration	1,090,000

Notes:

1. Based on the audited consolidated financial statements of the Target Group, as at 30 June 2023, the net asset value attributable to the owners of the Target Group is approximately RMB64.19 million.

2. The 15.34% discount to the Adjusted NAV is determined after arm's length negotiations between the Purchaser and the Vendor.

5.1 The valuation report

According to the valuation report on the market value in existing state of the Property held by the Target Group as at 30 September 2023, the market value was RMB1,241,000,000 (the "**Valuation**"). Independent Shareholders' attention is drawn to the full text of the valuation report (the "**Valuation Report**") prepared by Cushman & Wakefield Limited (the "**Property Valuer**") as set out in Appendix V to the Circular.

In order to assess the expertise and independence of the Property Valuer, we have obtained and reviewed (i) the engagement letter of the Property Valuer; and (ii) the Property Valuer's relevant qualification and experience. Based on our review of the Property Valuer's engagement letter, we are satisfied that the terms and scope of the engagement between the Company and the Property Valuer are appropriate to the opinion the Property Valuer is required to give. We note that Ms. Grace S.M. Lam, the person in charge of the Valuation Report, is a Chartered Surveyor who has over 30 years of experience in professional property valuation in the Greater China region and various overseas countries. For due diligence purpose, we conducted telephone discussion with the team members of the Property Valuer to understand its previous experiences on valuation projects and its works performed on the Valuation as well as the steps and measures taken by the Property Valuer in conducting the Valuation. The Property Valuer also confirmed that it is independent from the Group, China SCE Group and their respective associates. In view of the above, we consider that the Property Valuer is qualified and possesses relevant experience in conducting the Valuation.

We have reviewed the Valuation Report and discussed with the Property Valuer regarding the methodologies of, and bases and assumptions adopted for the Valuation. We understand from the Property Valuer and noted that it has considered three generally accepted valuation methods, namely the market comparison method, cost method and income capitalisation method in arriving at the Valuation. As advised by the Property Valuer, the Valuation was conducted using the market comparison method by making reference to comparable sales evidence as available in the relevant market with appropriate adjustments to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under valuation. For the purpose of cross-checking the Valuation arrived at using the market comparison method, the Property Valuer has used the income capitalisation method by capitalising the existing rental of all lettable units of the Property for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the valuation date. Upon expire of the existing tenancies, each unit is assumed to be let at its market rent as at the valuation date, which is in turn capitalized for the unexpired term of the land use right under which the Property is held.

The market comparison method is the best method for the Valuation in theory because it is a market method showing what price levels that the buyers really paid for the properties in the market. The market comparison method is based on comparing the property to be assessed directly with other comparable properties which recently changed hands. These premises are generally located in the surrounding areas or in another market which are comparable to the Property. Given that the Property under valuation has sufficient transactions in the relevant market, the Property Valuer considers that the market comparison method is a suitable method for valuing the Property. We have discussed with the Property Valuer and understand that the market comparison method is fully in line with the relevant valuation and market standards for appraising properties located in the PRC. In addition, based on our review of the Comparable Transactions (as defined below), we note that all of the five Comparable Transactions had adopted the market method in appraising the market value of the property(ies) (please refer to the sub-section headed "5.2 Analysis of comparable transactions" below for details). Therefore, we consider that the market method is a commonly use valuation methodology and fair and reasonable for appraising the market value of the Property.

We have discussed with the Property Valuer and understand that, given that there was no recent sales transaction of a whole shopping mall or complex within the locality where the Property is located, the Property Valuer has alternatively identified and analysed various relevant asking prices of retail shops within the locality which the Property Valuer considered having similar characteristics as the Property and selected three comparable properties (the "**Selected Sales Properties**"), all of which are retail shops within the locality which have the similar location and infrastructure as the Property. The asking prices of the Selected Sales Properties are then adjusted according to the differences in several aspects including location, accessibility, decoration, floor level, size and other characters between the Selected Sales Properties and the Property to arrive at the market value for the Property.

As part of our due diligence work, we have reviewed the location of the Selected Sales Properties and note that they are all located within the same district (i.e. Mentougou District) of the Property and in close proximity (within distance of approximately 2 kilometers) to the Property. In order to cross-checked the asking prices of the Selected Sales Properties quoted by the Property Valuer, we have conducted search on an online real estate agency platform in early November 2023 for retail shops (i) located within 2 kilometers from the Property; (ii) with GFA between 50 to 250 sq.m.; and (iii) currently available for sale. Based on such selection criteria, we have identified an exhaustive list of six retail shops (the "**Reference Sales Properties**") as follow:

Reference Sales Properties	GFA *(approximately sq.m.)*	Asking Price *(RMB/sq.m.)*
Property A	107	29,592
	105	25,000
	226	23,000
	152	23,000
Property B	198	20,153
	100	20,000
	Maximum	**29,592**
	Minimum	**20,000**
	Average	**23,458**

Source: real estate agency platform

As shown in the table above, we note that the asking prices (before relevant adjustments) of the Selected Sales Properties, ranging from approximately RMB23,000 to RMB25,800 per sq.m., which are within range of the asking prices of the Reference Sales Properties of RMB20,000 to RMB29,592 per sq.m. and higher than the average asking prices of the Reference Sales Properties of approximately RMB23,458 per sq.m.. In addition, we have discussed with the Property Valuer regarding the relevant adjustments made in order to arrive at the market value of the Property and understand that the adjustments are made in consideration of the relevant factors including location, accessibility, age, conditions of the Selected Sales Properties. As part of our due diligence, we have obtained and reviewed the calculation worksheet in relation to the adjustments made to the asking prices of the Selected Sales Properties. Based on our review, we note adjustments were made to primarily reflect (i) the positive effect on the market value of the Property due to its superior location, which is located upon a metro station, than the Selected Sales Properties; and (ii) the negative effect on the market value of the Property due to different in size of the rentable units as some of the units of the Property are larger in size than the Selected Sales Properties. Having comparing the characteristics of the Property and the Selected Sales Properties, we consider that the relevant adjustments made by the Property Valuer are justifiable.

For the purpose of cross-checking the Valuation arrived at using the market comparison method, the Property Valuer has adopted the income capitalisation method. As part of our due diligence, we have obtained and reviewed the calculation worksheet prepared by the Property Valuer in relation to valuation of the Property using income capitalisation method. We note that the Property Valuer has selected three retail shops within the locality which the Property Valuer considered having similar characteristics of the Property (the "**Selected Rental Properties**") and adopted the monthly rents of the Selected Rental Properties in calculating the market rents of the unexpired term of the lettable units of the Property upon expiration of the existing tenancies. We have conducted search on an online real estate agency platform in early November 2023 for retail shops (i) located within 2 kilometers from the Property; (ii) with GFA between 50 to 250 sq.m.; and (iii) currently available for rental. Based on such selection criteria, we have identified an exhaustive list of five retail shops (the "**Reference Rental Properties**") as follow:

Reference Rental Properties	**GFA** *(approximately sq.m.)*	**Monthly Rents** *(RMB/sq.m.)*
Property A	100	125
Property B	72	150
Property C	66	152
Property D	55	164
Property E	50	178
	Maximum	**178**
	Minimum	**125**
	Average	**154**

Source: real estate agency platform

As shown in the table above, we note that the monthly rents (before relevant adjustments) of the Select Rental Properties, ranging from RMB150 per sq.m. to RMB167 per sq.m., which are within range of the monthly rents of the Reference Rental Properties of RMB125 to RMB178 per sq.m. and not materially deviated from the average monthly rents of the Reference Rental Properties of approximately RMB154 per sq.m.. In addition, we have discussed with the Property Valuer regarding the adjustments made in order to arrive at the market rents of the Property as well as the capitalisation rate adopted in the calculation. As part of our due diligence, we have obtained and reviewed the calculation worksheet in relation to the adjustments made to the monthly rents of the Selected Rental Properties. Based on our review, we note adjustments were made to primarily reflect (i) the positive effect on the monthly rents of the Property due to its superior location, which is located upon a metro station, than the Selected Rental Properties; and (ii) the negative effect on the monthly rents of the Property due to different in size of the rentable units as some of the units of the Property are larger in size than the Selected Rental Properties. Having comparing the characteristics of the Property and the Selected Rental Properties, we consider that the relevant adjustments made by the Property Valuer are justifiable.

In light of the above, we are of the view that the valuation methodologies adopted, together with the bases and assumptions for appraising the Property are reasonable and acceptable.

5.2 Analysis of comparable transactions

We note that the Consideration represents approximately 15.34% discount to the Adjusted NAV. As the Target Group is principally engaged in holding of property, it is common to assess the net asset value of the Target Group (after taking into account the appraised value of the Property) against the relevant consideration for acquisition. For comparison purpose, we have identified on the website of the Stock Exchange five transactions with announcement or circular published between 1 January 2023 and up to the Latest Practicable Date (the "**Comparable Transactions**"). We consider the Comparable Transactions between 1 January 2023 and up to the Latest Practicable Date are exhaustive and representative as those property transactions have closely reflect recent market conditions of property market and macroeconomic conditions in the PRC after the relaxation of the quarantine measures to control the pandemic in early 2023. Therefore, we did not extend the selection period. As the PRC economy gradually recovers since the first half year of 2023, we are of the view that the Comparable Transactions selected in the abovementioned period could provide more relevant considerations of recent property transactions in the PRC.

Our selection criteria are (i) acquisitions of company(ies) holding mainly property(ies) (i.e. the carry value of the property(ies) accounted for over 90% of the company's total assets) or property(ies) by companies listed on Main Board of the Stock Exchange; and (ii) consideration basis being with reference to (a) the net assets of the subject target company/group (b) the property, as adjusted with the latest valuation of the subject property(ies) or the latest independent valuation of the subject property(ies) conducted for the purpose of the transaction (the "**Appraised**

Value"), and the amount of such Appraised Value or valuation are disclosed and provided in the respective announcement(s)/circular(s) (see table below).

Date of Announcement/ Circular	Stock Code	Listed Company	Connected or not	Valuation Methodology *(Note 1)*	Appraised Value *(RMB)*	Consideration *(RMB)*	(Discount)/ Premium
27-April-23	6117	Rizhao Port Jurong Co., Ltd.	Yes	Comparison approach	107,850,000	107,850,000	0.00%
23-September-23	6677	Sino-Ocean Service Holding Limited	Yes	Market comparison approach	894,910,000	626,350,000	(30.01)%
28-September-23	9916	Xingye Wulian Service Group Co. Ltd.	Yes	Market approach	93,978,000	95,000,000	1.09%
9-October-23	1950	Diwang Industrial Holdings Limited	Yes	Market approach	30,200,000	30,000,000	(0.66)%
17-October-23	2327	Meilleure Health International Industry Group Limited	Yes	Market approach	65,700,000	36,101,785	(45.05)%
						Average	**(14.93)%**
						Median	**(0.66)%**
						Maximum	**1.09%**
						Minimum	**(45.05)%**
						The Company	**(15.34)%**

Source: the Stock Exchange website

Note:

1. While we note that different terminologies, i.e. comparison approach, market approach and market comparison method, are being used in the Comparable Transactions, we consider that they all refer to the same valuation methodology whereas the market value of the subject property is arrived at by comparing against market transactions of similar property.

Based on the analysis of the Comparable Transactions set out in the table above, we note that premium over/discount to the Appraised Value of all the Comparable Transactions ranging from discount of approximately 45.05% to premium of approximately 1.09% with average and median discounts of approximately 14.93% and 0.66% respectively. We note that the discount of 15.34% represented by the Consideration to the Adjusted NAV lies within the range of the premium over/discount to the Appraised Value of the Comparable Transactions. Also, it is at a deeper discount than the average discount to the Appraised Value of the Comparable Transactions.

In view of (i) the methodology, bases and assumptions adopted by the Property Valuer in determining the market value of the Property are appropriate; (ii) the Consideration is made with reference to the Valuation which was fairly and reasonably determined by the Property Valuer; (iii) the Valuation is only at a slight premium of approximately 1.4% over the consideration of the Previous Acquisition; (iv) the Consideration represents a discount of approximately 15.34% to the Adjusted NAV which within range of the premium over/discount to the Appraised Value of the Comparable Transactions and is at a deeper discount to the average discount to the Appraised Value of the Comparable Transactions; and (v) the reasons for and benefits of the Acquisition as discussed in the section headed "3 Reasons for and benefits of the Acquisition" above, we consider the Consideration to be fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

6. Financial effects of the Acquisition

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated in the Group's consolidated financial statements.

Revenue and earnings

The Group expects to record a gain of approximately RMB197.5 million in its consolidated financial statement for year ending 31 December 2023, which represents the difference between (a) the aggregate value of the Sale Debt and the net asset value of the Target Group as at 30 June 2023 of approximately RMB1,287.5 million; and (b) the Consideration of approximately RMB1,090.0 million.

As the Target Group has been generating rental income from the operation of the Property since the first quarter of 2023, the Group's revenue and operating profit are expected to be enhanced upon completion of the Acquisition. As advised by the Management, subsequent to the Completion, the Property will be carried at cost less accumulated depreciation and any impairment losses. Accordingly, the Group will recognise depreciation of the Property in its income statement.

Asset and liabilities

As set out in the unaudited pro forma consolidated financial information of the Enlarged Group in Appendix IV to the Circular, assuming the Acquisition had taken place on 30 June 2023, it is expected that the total assets of the Group would increase from approximately RMB3,284.5 million to approximately RMB3,527.6 million and the total liabilities of the Group would increase from approximately RMB645.3 million to approximately RMB692.0 million. As a result, the net assets of the Group would increase from approximately RMB2,639.2 million to approximately RMB2,835.6 million.

Working capital

The working capital of the Group, which is calculated by current assets net of current liabilities, was approximately RMB1,815.5 million as at 30 June 2023. Since the Consideration will be fully satisfied by cash, the Acquisition would result in a cash outflow of approximately RMB1,090.0 million. Based on the unaudited pro forma consolidated financial information of the Enlarged Group in Appendix IV to the Circular, the working capital would have decreased to approximately RMB803.8 million as if the Acquisition had been completed on 30 June 2023.

According to the section headed "3. Working Capital Statement" in Appendix I to the Circular, the Directors are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including the internally generated funds and the effects of the proposed Acquisition, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its normal business for at least the next twelve months from the date of the Circular.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the terms of the SPA 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) the Acquisition, although is 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 recommend 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 SPA 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 Future 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 corporate finance industry.

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statements of the Group, together with the accompanying notes, for (i) the year ended 31 December 2020 is disclosed in the prospectus of the Company dated 21 June 2021; (ii) each of the two years ended 31 December 2021 and 2022; and (iii) the six months ended 30 June 2023 are disclosed in the annual reports of the Company for the financial years ended 31 December 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023, respectively, and are incorporated by reference into this circular.

The said prospectus, annual reports and interim report of the Company are available on the Company's website at www.sce-icm.com and website of the Stock Exchange at www.hkexnews.hk through the links below:

For the financial year ended 31 December 2020 (pages I-4 to I-57)
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0621/2021062100009.pdf

For the financial year ended 31 December 2021 (pages 91 to 198)
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042001580.pdf

For the financial year ended 31 December 2022 (pages 94 to 202)
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0406/2023040601912.pdf

For the six months ended 30 June 2023 (pages 37 to 60)
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0915/2023091500334.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2023, 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 RMB1,273,000.

Save as disclosed above and apart from intra-group liabilities and normal trade payables and accruals in the ordinary course of business, the Enlarged Group did not have, as at the close of business on 31 October 2023, any mortgages, charges, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowings including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including the internally generated funds and the effects of the proposed Acquisition, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its normal business for at least the next twelve 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.

4. FINANCIAL AND TRADING PROSPECTS

As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group believes that, in the face of constant changes in the market, the optimised and upgraded strategies of ''regional focus'', ''synergy and coexistence'' and ''digital empowerment'' are the keys for the Group to establish a differentiated competitive advantage in the industry. Shopping malls in operation need to maintain their stable operation and continuous improvement on their operating capabilities while prioritising marketing and emphasising operation to gradually establish, through reasonable tenants sourcing and active adjustment, a ''co-operation model'' with merchants which possesses operating uniqueness and core competitiveness. By combining membership and digital empowerment, resources are concentrated to realise synergy and development in the region. Under the guidance of the new strategy of project expansion, focus will be given further on regional development to form the synergy of ''multiple shops in one city'' and ''multiple shops in multiple cities'' in the core region and to create the operating advantages gradually in the deeply cultivated regions as well as to stabilise the room for growth. Meanwhile, value symbiosis will be realised with operation as the orientation of the Group and consumers as the focus of the Group: creation of business value for merchants, provision of service value for consumers, empowerment of growth value for employees, reward of asset management value for shareholders, and strict adherence to the business philosophy of ''win-win situation for all''. The refined operation under the new business philosophy will also become the professional advantage of the Group's core competitiveness and the source of certainty for stable growth.

In respect of commercial property management and operational services, in the first half of 2023, the Group newly managed two shopping malls at the same time. Beijing West Chang'an SCE Funworld, which is an outlet-based shopping mall to be acquired by the Group under the SPA, completed its opening debut with a 100% occupancy rate, and on the day of its opening, it recorded over 200,000 visitors and over RMB20.0 million in terms of sales. Tangshan SCE Funworld, which is a traditional shopping mall owned by an independent third party, introduced more than 80% of the first shop brands to be stationed in the Funworlds, with more than 150,000 visitors on the day of opening, generating nearly RMB10.0 million in terms of sales. With favorable market feedback and excellent data presented, progressive success in exploring the business operation model of the Group could be observed, and its innovative and advanced new business model has brought a brand new business perspective to the industry and a different shopping and consumption experience to the consumers. A traditional shopping mall owned by China SCE is expected to be under the Group's management in 2023, which is expected to further reinforce the Group's innovative business strategy and operation model.

In terms of residential property management services, the Group is committed to uncovering service potential and developing diversified value-added services. The Group has successively launched and gradually improved service models such as "Life Butler Service", "Hotel Service" and "One-Stop Service" in order to provide residents and developers with a more satisfactory service experience. At the same time, car park sales services and exquisite residence services were developed vigorously to further extend the service scope of the Group, create value for residents and developers, and further enhance the management scale with the Group's own capital advantages, brand strength and service management capabilities. In the future, the Group will further launch more types of value-added services to differentiate its position in the market. Also, the Group will actively seek more external project management rights during the rest of the year and further reduce its dependence on China SCE.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SCE INTELLIGENT COMMERCIAL MANAGEMENT HOLDINGS LIMITED

Introduction

We report on the historical financial information of Mega Time Developments Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-27, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Target Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-27 forms an integral part of this report, which has been prepared for inclusion in the circular of SCE Intelligent Commercial Management Holdings Limited (the "**Company**") dated 4 December 2023 (the "**Circular**") in connection with the acquisition of the entire issued share capital of the Target Company by a subsidiary of the Company (the "**Acquisition**").

Directors' responsibility for the Historical Financial Information

The sole director of the Target Company (the "**Target Company Director**") is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the Target Company Director determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Target Company Director, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the ''**Interim Comparative Financial Information**''). The Target Company Director is responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 8 to the Historical Financial Information which states that no dividends have been paid or declared by the Target Company in respect of the Relevant Periods.

No historical financial statements for the Target Company

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation.

Ernst & Young
Certified Public Accountants
Hong Kong

4 December 2023

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Notes	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
					(Unaudited)	
REVENUE	*4*	—	—	—	—	9,136,193
Cost of sales		—	—	—	—	(5,628,664)
Gross profit		—	—	—	—	3,507,529
Other income	*5*	—	—	283,026	—	5,603
Changes in fair value of investment properties	*9*	—	—	—	—	85,017,733
Selling and marketing expenses		—	—	—	—	(1,609,233)
Administrative expenses		(23,754)	(20,895)	(70,484)	(2,772)	(1,501,046)
PROFIT/(LOSS) BEFORE TAX	*6*	(23,754)	(20,895)	212,542	(2,772)	85,420,586
Income tax expense	*7*	—	—	(5,707)	—	(21,356,371)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(23,754)	(20,895)	206,835	(2,772)	64,064,215
OTHER COMPREHENSIVE INCOME/(LOSS):						
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		3,261	2,013	(6,368)	(3,376)	(4,784)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		(20,493)	(18,882)	200,467	(6,148)	64,059,431

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2020	2021	2022	2023
	Notes	*RMB*	*RMB*	*RMB*	*RMB*
NON-CURRENT ASSETS					
Investment properties	*9*	—	—	—	1,241,000,000
Prepayments		—	—	—	1,187,991
Total non-current assets		—	—	—	1,242,187,991
CURRENT ASSETS					
Trade receivables	*11*	—	—	—	641,237
Prepayments and other receivables	*12*	—	60	1,270,968	100,410,862
Due from the immediate holding company	*13*	653	632	685	717
Due from a fellow subsidiary	*13*	—	745,500	7,179,700	—
Prepaid income tax		—	—	—	—
Bank balances	*14*	36,632	47,096	339,592	1,571,424
Total current assets		37,285	793,288	8,790,945	102,624,240
CURRENT LIABILITIES					
Trade payables	*15*	—	—	—	12,275,869
Other payables and accruals	*16*	12,632	773,466	8,546,535	6,070,430
Due to an intermediate holding company	*13*	10,051	26,262	39,115	45,010
Due to fellow subsidiaries	*13*	69,171	67,011	72,572	1,235,007,370
Tax payable		—	—	5,707	101,938
Total current liabilities		91,854	866,739	8,663,929	1,253,500,617
NET CURRENT ASSETS/ (LIABILITIES)		(54,569)	(73,451)	127,016	(1,150,876,377)
TOTAL ASSETS LESS CURRENT LIABILITIES		(54,569)	(73,451)	127,016	91,311,614
NON-CURRENT LIABILITIES					
Deferred tax liabilities	*17*	—	—	—	21,254,433
Other payables		—	—	—	5,870,734
Total non-current liabilities		—	—	—	27,125,167
Net assets/(liabilities)		(54,569)	(73,451)	127,016	64,186,447
EQUITY/(DEFICIENCY IN ASSETS)					
Issued capital	*18*	693	693	693	693
Reserves	*19*	(55,262)	(74,144)	126,323	64,185,754
Total equity/(total deficiency in assets)		(54,569)	(73,451)	127,016	64,186,447

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Retained profits/ (accumulated losses)	Exchange fluctuation reserve	Total
	RMB	*RMB*	*RMB*	*RMB*
	(note 18)		*(note 19(a))*	
At 1 January 2020	693	(34,306)	(463)	(34,076)
Loss for the year	—	(23,754)	—	(23,754)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	—	—	3,261	3,261
Total comprehensive income/(loss) for the year	—	(23,754)	3,261	(20,493)
At 31 December 2020 and 1 January 2021	693	(58,060)*	2,798*	(54,569)
Loss for the year	—	(20,895)	—	(20,895)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	—	—	2,013	2,013
Total comprehensive income/(loss) for the year	—	(20,895)	2,013	(18,882)
At 31 December 2021 and 1 January 2022	693	(78,955)*	4,811*	(73,451)
Profit for the year	—	206,835	—	206,835
Other comprehensive loss for the year:				
Exchange differences on translation of foreign operations	—	—	(6,368)	(6,368)
Total comprehensive income/(loss) for the year	—	206,835	(6,368)	200,467
At 31 December 2022 and 1 January 2023	693	127,880*	(1,557)*	127,016
Profit for the period	—	64,064,215	—	64,064,215
Other comprehensive loss for the period:				
Exchange differences on translation of foreign operations	—	—	(4,784)	(4,784)
Total comprehensive income/(loss) for the period	—	64,064,215	(4,784)	64,059,431
At 30 June 2023	693	64,192,095*	(6,341)*	64,186,447

* These reserve accounts comprise the consolidated negative reserves of RMB55,262 and RMB74,144 as at 31 December 2020 and 2021, respectively, and consolidated reserves of RMB126,323 and RMB64,185,754 as at 31 December 2022 and 30 June 2023, respectively, in the consolidated statements of financial position.

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2020 RMB	2021 RMB	2022 RMB	Six months ended 30 June 2022 RMB (Unaudited)	2023 RMB
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		(23,754)	(20,895)	212,542	(2,772)	85,420,586
Adjustments for:						
Bank interest income	5	—	—	(7)	—	(5,603)
Fair value gain on investment properties	9	—	—	—	—	(85,017,733)
		(23,754)	(20,895)	212,535	(2,772)	397,250
Increase in trade receivables		—	—	—	—	(641,237)
Decrease/(increase) in prepayments and other receivables		—	(60)	(1,270,908)	(79)	680,275
Increase in trade payables		—	—	—	—	12,275,869
Increase in other payables and accruals		7,121	761,250	7,771,749	1,626,398	3,393,576
Cash generated from/(used in) operations		(16,633)	740,295	6,713,376	1,623,547	16,105,733
Interest received		—	—	7	—	5,603
PRC corporate income tax paid		—	—	—	—	(5,707)
Net cash flows from/(used in) operating activities		(16,633)	740,295	6,713,383	1,623,547	16,105,629
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to investment properties		—	—	—	—	(33,669,386)
Net cash flows used in investing activities		—	—	—	—	(33,669,386)

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Notes	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
					(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase in an amount due to an intermediate holding company		10,624	16,815	10,385	1,449	3,850
Increase/(decrease) in amounts with fellow subsidiaries		44,727	(745,500)	(6,434,200)	(1,362,200)	18,790,000
Net cash flows from/(used in) financing activities		55,351	(728,685)	(6,423,815)	(1,360,751)	18,793,850
NET INCREASE IN CASH AND CASH EQUIVALENTS		38,718	11,610	289,568	262,796	1,230,093
Cash and cash equivalents at beginning of year/period		—	36,632	47,096	47,096	339,592
Effect of foreign exchange rate changes, net		(2,086)	(1,146)	2,928	1,636	1,739
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		36,632	47,096	339,592	311,528	1,571,424
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Bank balances		36,632	47,096	339,592	311,528	1,571,424

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Target Company is incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 3 July 2019. The registered office address of the Target Company is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The addresses of the principal place of business of the Target Company in the People's Republic of China (the "**PRC**") and Hong Kong are SCE Tower, No. 2, Lane 1688, Shenchang Road, Hongqiao Business District, Shanghai, China; and Room 2801, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong, respectively.

The Target Company is an investment holding company. During the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023 (the "**Relevant Periods**"), the Target Group are principally engaged in investment holding, property investment and project management in the PRC.

In the opinion of the Target Company Director, China SCE Assets Holdings Limited ("**China SCE Assets**"), a company incorporated in the BVI, is the immediate holding company of the Target Company; China SCE Group Holdings Limited ("**China SCE**"), a company incorporated in the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange, is an intermediate holding company of the Target Company; and Newup Holdings Limited, a company incorporated in the BVI, is the ultimate holding company of the Target Company.

Information about subsidiaries

Particulars of the Target Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Particulars of issued/ registered capital	Percentage of equity directly attributable to the Target Company	Principal activities
Cheer Fantasy Investment Limited	Hong Kong	HK$100	100	Investment holding
Beijing Junhui Real Estate Development Co., Ltd.*# (北京泰騰置業有限公司#)	PRC/Mainland China	RMB600,000,000	100	Property investment

* Registered as limited liability companies under the PRC law

The English names of the company in the PRC represent the best effort made by the management of the Target Company to directly translate their Chinese names only for the purpose of these financial statements as no official English names have been registered.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("**RMB**").

These consolidated financial statements have been prepared under the going concern concept for the Relevant Periods because China SCE, an intermediate holding company of the Target Company, and the Company, the forthcoming intermediate holding company of the Target Company upon the completion of the Acquisition, have both agreed to provide continual financial support and adequate funds to the Target Company so as to enable it to meet its liabilities and financial obligations as and when they fall due, and not to demand repayment of the amounts due to China SCE and the Company and their subsidiaries until the Target Company is in a position to repay such amounts without impairing its liquidity and financial positions.

Basis of consolidation

The consolidated financial statements include the financial statements of the Target Company and its subsidiaries for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. the Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendment to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[1,4,5]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1,5]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1 issued in August 2020 and December 2022, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKAS 1 *Non-current Liabilities with Covenants* issued by the HKICPA in 2022, the effective date of the amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* was deferred and entities are required to apply both amendments for annual periods beginning on or after 1 January 2024. In addition, consequential amendments were made to HKFRS Practice Statement 2 *Making Materiality Judgements*

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Target Group's results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Group. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Group's statement of profit or loss to the extent of dividends received and receivable. The Target Group's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Fair value measurement

The Target Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land and buildings held for a currently undetermined future use. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value with changes in fair value recognised in the profit or loss.

Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of the retirement or disposal.

Leases

Lessor

Where the Target Group is the lessor, assets leased by the Target Group are included in non-current assets, and rentals receivable are credited to the statement of profit or loss on the straight-line basis over the lease terms.

Financial assets

Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Target Group commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Debt instruments are measured at fair value through other comprehensive income if the assets' contractual cash flows represent solely payments of principal and interest and the assets are held for collection of contractual cash flows and for selling the financial assets. Such financial assets are subsequently measured at fair value with any gains or losses from changes in fair value recognised in other comprehensive income, except for impairment losses and reversal, foreign exchange gains and losses and interest calculated using the effective interest rate method which are recognised in profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss when the financial asset is derecognised.

Debt instruments that do not meet the criteria for amortised cost or as financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Interest income for these financial assets is included in other income.

(b) Impairment

The Target Group applies the expected credit loss model on all the financial assets that are subject to impairment, financial guarantee contracts, contract assets under HKFRS 15 and lease receivables under HKFRS 16. For trade receivables and contract assets without a significant financing component, the Target Group applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Target Group is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default. The Target Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Target Group has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include bank and other borrowings, trade payables, accruals and other monetary liabilities. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdiction in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Property management services

Revenue from the provision of property management service is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Target Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the Target Company Director the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Target Group's presentation currency. The functional currency of the Target Company is Hong Kong dollars ("**HK$**") while RMB is used as the presentation currency of the financial statements of the Target Company for the purpose of aligning with the presentation currency of the Target Group. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Target Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Target Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries operating outside the PRC are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are, described below.

Estimation of fair value of investment properties

Investment properties were revalued at each reporting date during the year based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Target Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

4. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Revenue from contracts with customers					
Property management fees	—	—	—	—	378,697
Revenue from other sources					
Gross rental income from investment property operating leases:					
Variable lease payments that do not depend on an index or a rate	—	—	—	—	3,622,504
Other lease payments, including fixed payments	—	—	—	—	5,134,992
	—	—	—	—	9,136,193

(a) Disaggregated revenue information

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Type of services					
Property management services	—	—	—	—	378,697
Timing of revenue recognition					
Services transferred over time	—	—	—	—	378,697

(b) Performance obligations

Information about the Target Group's performance obligations is summarised below:

Property management fees

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, and are billed based on the time incurred.

The amount of unsatisfied performance obligation principally comprises the balance of contract liabilities, which are expected to be recognised in one year as of 30 June 2023 and 31 December 2022.

5. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Bank interest income	—	—	7	—	5,603
Consultancy service income	—	—	283,019	—	—
	—	—	283,026	—	5,603

6. PROFIT/(LOSS) BEFORE TAX

The Target Group's profit/(loss) before tax is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Cost of services provided	—	—	—	—	1,074,812
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	—	—	—	—	4,553,852

* No director received any fees or emoluments in respect of their services rendered to the Target Group during the Relevant Periods.

7. INCOME TAX

Pursuant to the rules and regulations of the BVI, the Target Group is not subject to any income tax in the BVI. No provision for Hong Kong profits tax has been made as the Target Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods. The Target Group's subsidiary operating in Mainland China is subject to the PRC corporate income tax ("**CIT**") at a rate of 25% during the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Current charge for the year:					
PRC CIT	—	—	5,707	—	101,938
Deferred *(note 17)*	—	—	—	—	21,254,433
	—	—	5,707	—	21,356,371

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory/applicable rates for the jurisdictions in which the Target Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Profit/(loss) before tax	(23,754)	(20,895)	212,542	(2,772)	85,420,586
At the statutory/applicable rates of different jurisdictions	(3,920)	(3,701)	54,726	(485)	21,355,563
Income not subject to tax	—	—	(52,107)	—	—
Tax losses not recognised	3,920	3,701	3,088	485	808
Tax charge at the Target Group's effective tax rate	—	—	5,707	—	21,356,371

8. DIVIDEND

No dividend was paid or proposed during the Relevant Periods.

9. INVESTMENT PROPERTIES

	As at 31 December 2020 *RMB*	As at 31 December 2021 *RMB*	As at 31 December 2022 *RMB*	As at 30 June 2023 *RMB*
Carrying amount at beginning of year/ period	—	—	—	—
Additions	—	—	—	1,155,982,267
Gain from a fair value adjustment	—	—	—	85,017,733
Carrying amount at end of year/period	—	—	—	1,241,000,000

The Target Group's investment properties represent an outlet-based shopping mall complex situated in Mainland China. The investment properties were acquired from the original developer, Beijing Junhui Real Estate Development Co., Ltd.# (北京駿輝房地產開發有限公司) ("**Beijing Junhui**"), a wholly-owned subsidiary of China SCE, in the first quarter of 2023.

The English names of the company in the PRC represent the best effort made by the management of the Target Company to directly translate their Chinese names only for the purpose of these financial statements as no official English names have been registered.

The investment properties were revalued on 30 June 2023 based on valuation performed by Cushman & Wakefield Limited, an independent professionally qualified valuer, at RMB1,241,000,000.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 10 to the consolidated financial statements.

Fair value hierarchy

For the Relevant Periods, the fair value measurement of the investment properties of the Target Group was categorised within Level 3 of the fair value hierarchy.

In the opinion of the Target Company Director, the investment properties have been used in their highest and best use.

The following table illustrates the fair value measurement of the Target Group's investment properties:

	Fair value measurement using significant unobservable inputs (Level 3)			
	As at 31 December 2020 *RMB*	As at 31 December 2021 *RMB*	As at 31 December 2022 *RMB*	As at 30 June 2023 *RMB*
Recurring fair value measurement for:				
Commercial properties	—	—	—	1,241,000,000

During the Relevant Periods, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties as at 30 June 2023:

	Valuation techniques	Significant unobservable inputs	Range
Commercial properties	Investment method (refer to below)	Estimated rental value per square metre and per month	RMB193 to RMB350
		Capitalisation rate	5.50%

The valuation of investment properties was based on the investment method by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the property.

Significant increases/(decreases) in estimated rental value per square metre in isolation would result in a significantly higher/(lower) fair value of the investment properties. Significant increases/(decreases) in the capitalisation rate in isolation would result in a significantly lower/(higher) fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square metre is accompanied by an opposite change in the capitalisation rate.

10. LEASES

The Target Group as a lessor

The Target Group leases its investment properties (note 9) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Target Group during the Relevant Periods are included in note 4 to the consolidated financial statements.

At the end of the reporting period, the undiscounted lease payments receivable by the Target Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB	*RMB*	*RMB*	*RMB*
Within one year	—	—	—	4,555,541

11. TRADE RECEIVABLES

The Target Group's trade receivables arise from leasing of investment properties. The Target Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties. The Target Group generally grants a rent-free period of three months to the lessees of the Target Group's investment properties, extending up to six months for major customers.

Since the Target Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date and invoice date, is as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB	*RMB*	*RMB*	*RMB*
Current to 90 days	—	—	—	641,237

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the loss allowance was assessed to be minimal.

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB	*RMB*	*RMB*	*RMB*
Prepayments	—	60	1,270,968	100,628,964
Other receivables	—	—	—	969,889
	—	60	1,270,968	101,598,853
Non-current portion	—	—	—	(1,187,991)
Current portion	—	60	1,270,968	100,410,862

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the loss allowance was assessed to be minimal.

13. BALANCES WITH AN INTERMEDIATE HOLDING COMPANY/THE IMMEDIATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB	*RMB*	*RMB*	*RMB*
Amount due from the immediate holding company	653	632	685	717
Amount due from a fellow subsidiary	—	745,500	7,179,700	—
Amount due to an intermediate holding company	(10,051)	(26,262)	(39,115)	(45,010)
Amount due to fellow subsidiaries	(69,171)	(67,011)	(72,572)	(1,235,007,370)

Balances are non-trade in nature, unsecured, interest-free and are repayable on demand, except for an amount due to a fellow subsidiary of RMB1,223,321,040 as at 30 June 2023, of which the fellow subsidiary agreed not to demand for repayment until 31 December 2023. This amount represented an aggregate unpaid consideration (including valued-added taxes) for the acquisition of the Target Group's investment properties, which shall be assigned to a wholly-owned subsidiary of the Company upon the completion of the Acquisition.

None of the balances is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the loss allowance was assessed to be minimal.

14. BANK BALANCES

At the end of 31 December 2020, 2021 and 2022 and 30 June 2023, the bank balances of the Target Group denominated in RMB amounted to nil, RMB11,465, RMB302,057 and RMB1,533,197, respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the bank balances approximate to their fair values. All the bank balances are deposited with creditworthy banks with no recent history of default.

15. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB	*RMB*	*RMB*	*RMB*
Within 1 year	—	—	—	12,275,869

The trade payables are unsecured and non-interest-bearing and are normally settled within 90 days.

16. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB	*RMB*	*RMB*	*RMB*
Deposit received and receipts in advance	—	760,005	8,524,124	11,609,519
Accruals	12,632	13,461	22,087	23,140
Other payables	—	—	324	308,505
	12,632	773,466	8,546,535	11,941,164
Non-current portion	—	—	—	(5,870,734)
Current portion	12,632	773,466	8,546,535	6,070,430

Other payables are non-interest-bearing and repayable on demand.

17. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	Revaluation of properties
	RMB
At 1 January 2020, 31 December 2020, 31 December 2021, 31 December 2022	—
Charged to profit of loss during the period *(note 7)*	21,254,433
At 30 June 2023	21,254,433

18. SHARE CAPITAL

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	US$	*US$*	*US$*	*US$*
Issued and fully paid:				
100 ordinary shares at US dollar ("**US$**") 1 each	100	100	100	100
Equivalent to RMB	693	693	693	693

19. RESERVES

The amounts of the Target Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity on page II-7 of the consolidated financial statements.

(a) Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the consolidated financial statements.

20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Target Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Fellow subsidiaries:					
Consultancy service income	—	—	283,019	—	—
Rental income	—	—	—	—	160,550

The transactions were conducted at terms and conditions mutually agreed between the relevant parties.

In the opinion of the Target Company Director, the director of the Target Company represents the key management personnel of the Target Company. No compensation was paid to the key management personnel of the Target Company during the Relevant Periods.

21. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and liabilities of the Target Group as at the end of each of the Relevant Periods were financial assets stated at amortised cost and financial liabilities stated at amortised cost, respectively.

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Target Group's financial instruments reasonably approximate to their fair values.

Management has assessed that the fair values of bank balances, trade receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals and amounts due from/to the immediate holding company, an intermediate holding company and fellow subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial asset and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

During the Relevant Periods, there was no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's financial instruments comprise bank balances, trade receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals and amounts due from/to the immediate holding company, an intermediate holding company and fellow subsidiaries. Details of these financial instruments are disclosed in the respective notes to the consolidated financial statements.

The main risks arising from the Target Group's financial instruments are credit risk and liquidity risk. The Target Company Director reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

It is the Target Group's policy that all customers are required to pay deposits in advance of the rental of properties. In addition, the Target Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Target Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. There is no significant concentration of credit risk within the Target Group.

The credit risk of the Target Group's trade receivables and other financial assets, which mainly comprise bank balances, other receivables and amounts due from the immediate holding company and a fellow subsidiary, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Financial assets measured at amortised cost are all classified under stage 1 for measurement of ECLs except for trade receivables which apply the simplified approach in calculating ECLs. The loss allowance provision for bank balances, trade receivables, financial assets included in prepayments and other receivables and amounts due from the immediate holding company and a fellow subsidiary were not significant as at 31 December 2020, 2021 and 2022 and 30 June 2023.

Liquidity risk

The intermediate holding company has agreed to provide adequate funds to enable the Target Company to meet in full its financial obligations as they fall due for the foreseeable future as disclosed in note 2.1. In the opinion of the Target Company Director, the Target Company will be able to provide sufficient funds to finance its working capital requirements.

All the financial liabilities are non-interest bearing and repayable on demand. The undiscounted cash flows of the Target Group's financial liabilities approximate their carrying amounts at the end of the reporting period.

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. The Target Group is not subject to any externally imposed capital requirements.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or its subsidiaries in respect of any period subsequent to 30 June 2023.

Set out below is the management discussion and analysis of the Target Group for the three financial years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "**Relevant Period**").

BUSINESS REVIEW

The Target Company is a limited company incorporated in the British Virgin Islands and is a direct wholly-owned subsidiary of the Vendor, principally engaged in investment holding. The Target Company wholly owns Cheer Fantasy Investment Limited, a limited company incorporated in Hong Kong principally engaged in investment holding, which in turn wholly owns 北京泰騰置業有限公司 (Beijing Taiteng Real Estate Co., Ltd.*), a limited liability company established in the PRC principally engaged in the holding of the Property which is also its principal asset. The Property comprises (a) the land use right of a piece of land located at No. 8, Xincheng East Street, Mentougou District, Beijing, the PRC which is valid until 11 March 2059, covering a site area of approximately 26,900 square metres and is for commercial use; and (b) the outlet-based shopping mall built over the aforementioned land which has five floors above ground and one floor under ground covering a total GFA of approximately 78,500 square metres. The shopping mall has commenced operation in March 2023.

FINANCIAL REVIEW

Segmental information

The Target Group operated in one single segment which is property investment in the PRC. In this regard, no segmental information is presented.

Revenue

The revenue for the six months ended 30 June 2023 was RMB9.1 million which mainly represented the rental income generated from the operation of the Property. Since the Property has commenced its operation in March 2023, no revenue was generated for the financial years ended 31 December 2020, 2021 and 2022.

Change in fair value of investment property

Change in fair value of the investment property for the six months ended 30 June 2023 was RMB85.0 million which mainly represented valuation gain of the Property since its acquisition by Taiteng Real Estate. No change in fair value of the investment property for the financial years ended 31 December 2020, 2021 and 2022 were noted since the Property was acquired in the first half of 2023.

Profit/(loss) for the period/years

The profit for the financial year ended 31 December 2022 and the six months ended 30 June 2023 were RMB206,835 and RMB64.1 million, respectively. The loss for the financial years ended 31 December 2020 and 2021 were RMB23,754 and RMB20,895, respectively. The amount for the six months ended 30 June 2023 mainly represented the revenue generated and change in fair value of the Property, net of the cost of sales and administrative expenses incurred and taxes provided, during the period. The amounts for the three financial years ended 31 December 2020, 2021 and 2022 mainly represented the other income (if any), net of the administrative expenses incurred during the respective years.

Liquidity, financial resources and capital structure

As at 30 June 2023, the Target Group had net asset and net current liabilities of RMB64.2 million and RMB1,155.6 million, respectively. The Group is committed to providing continual financial support and adequate funds for the Target Group to meet its liabilities as and when they fall due. The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans from fellow subsidiaries. As at 30 June 2023, the Target Group had cash and cash equivalents of RMB1.6 million and loans from fellow subsidiaries of RMB1,235.0 million.

Foreign exchange exposure

During the Relevant Period, the Target Group did not have any foreign exchange exposure arising from its assets and liabilities.

Charge on assets

The Target Group did not have any charge on its assets as at 30 June 2023.

Significant investments, material acquisition and disposals

During the Relevant Period, the Target Group did not have other significant investment except the Property nor did it have any acquisition or disposal of subsidiaries and associated companies.

Future plan for material investments or capital assets

As at 30 June 2023, the Target Group did not have other concrete future plan for material investments or capital assets except the development of the Property.

Employees and remuneration policy

The Target Group did not have any employee as at 30 June 2023.

Contingent liabilities

As at 30 June 2023, the Target Group did not have any material contingent liabilities.

Capital Commitment

As at 30 June 2023, the Target Group did not have any material capital commitment.

EY 安永

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Board of Directors of SCE Intelligent Commercial Management Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SCE Intelligent Commercial Management Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 30 June 2023 and the related notes set out in pages IV-4 to IV-7 to the circular dated 4 December 2023 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IV-4 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of Mega Time Developments Limited and its subsidiaries (hereafter collectively referred to as the "**Target Group**") (the "**Acquisition**") on the Group's financial position as at 30 June 2023 as if the Acquisition had taken place on 30 June 2023. As part of this process, information about the Group's and the Target Group's financial position has been extracted by the Directors from the Group's unaudited interim financial information for the six months ended 30 June 2023; and the accountants' report on the Target Group included in Appendix II to the Circular, respectively.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

4 December 2023

INTRODUCTION

This unaudited pro forma consolidated statement of financial position (the "**Unaudited Pro Forma Financial Information**") has been prepared for the purpose of providing shareholders of the Company with information about the impact of the Acquisition by illustrating how the Acquisition might have affected the financial position of the Group as at 30 June 2023, had the completion of the Acquisition taken place on 30 June 2023.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2023. Neither does the Unaudited Pro Forma Financial Information purports to predict the future financial position of the Enlarged Group.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 as set out in the interim report of the Company for the six months ended 30 June 2023, and the audited consolidated statement of financial position of the Target Company as at 30 June 2023 as set out in the accountants' report on the Target Group included in Appendix II to this circular, after giving effect to the pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 30 June 2023	The Target Group as at 30 June 2023	Pro forma adjustments			Unaudited pro forma of the Enlarged Group as at 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
NON-CURRENT ASSETS						
Property and equipment	34,419	—				34,419
Investment properties	170	1,241,000				1,241,170
Goodwill	748	—				748
Intangible asset	527	—				527
Prepayments	6,484	1,188				7,672
Amount due from a related party	754,144	—			(11,730)	742,414
Investment in a joint venture	2,210	—				2,210
Deferred tax assets	25,205	—				25,205
Total non-current assets	823,907	1,242,188				2,054,365
CURRENT ASSETS						
Trade receivables	237,606	641				238,247
Prepayments, deposits and other receivables	60,007	100,411				160,418
Due from related parties	—	1			(1)	—
Cash and cash equivalents	2,162,958	1,571	(1,090,000)			1,074,529
Total-current assets	2,460,571	102,624				1,473,194
CURRENT LIABILITIES						
Trade payables	84,045	12,276				96,321
Other payables and accruals	267,843	6,070		1,166		275,079
Contract liabilities	247,248	—				247,248
Due to related parties	—	1,235,052	(1,223,321)		(11,731)	—
Tax payable	45,984	102				46,086
Total current liabilities	645,120	1,253,500				664,734

	The Group as at 30 June 2023	The Target Group as at 30 June 2023	Pro forma adjustments			Unaudited pro forma of the Enlarged Group as at 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
NET CURRENT ASSETS/ (LIABILITIES)	1,815,451	(1,150,876)				808,460
TOTAL ASSETS LESS CURRENT LIABILITIES	2,639,358	91,312				2,862,825
NON-CURRENT LIABILITIES						
Deferred tax liabilities	131	21,254				21,385
Other payables	—	5,871				5,871
Total non-current liabilities	131	27,125				27,256
Net assets	2,639,227	64,187				2,835,569
EQUITY						
Equity attributable to owners of the parent						
Issued capital	16,742	1	(1)			16,742
Reserves	2,604,487	64,186	133,322	(1,166)		2,800,829
	2,621,229	64,187				2,817,571
Non-controlling interests	17,998	—				17,998
Total equity	2,639,227	64,187				2,835,569

Notes:

1. The balances are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2023 as set out in the published interim report of the Company for the six months ended 30 June 2023.

2. The balances are extracted from the audited consolidated statement of financial position of the Target Company as at 30 June 2023 as set out in the accountants' report on the Target Group in Appendix II to this Circular and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

3. Upon completion of the Acquisition, the Target Company will become an indirectly wholly-owned subsidiary of the Company. Accordingly, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values using the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 *Business Combinations* ("**HKFRS 3**") issued by the Hong Kong Institute of Certified Public Accountants.

   The fair value of the investment properties as at 30 June 2023 is determined at RMB1,241 million based on the valuation as at 30 June 2023 (the "**Valuation**") performed by Cushman and Wakefield Limited, an independent property valuer. The excess of the net assets value of the Target Group and the Sale Debt over the Consideration will be credited to profit or loss.

   The adjustment represents (i) the cash payment of RMB1,090 million for the Acquisition; (ii) the elimination of the Sale Debt of the Target Company of approximately RMB1,223 million; (iii) the elimination of the share capital of the Target Company of RMB693 and pre-acquisition reserves of approximately RMB64 million; and (iv) the excess of the net assets value of the Target Group, after considering the adjustments mentioned above, of approximately RMB198 million is credited to profit or loss in accordance with HKFRS 3.

4. The adjustment represents the estimated transaction expenses, such as professional services fees, that are directly attributable to the Acquisitions of approximately RMB1.2 million.

5. The adjustment represents the assignment of balances with China SCE to the Group upon completion of the Acquisition.

6. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 30 June 2023.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the Property as at 30 September 2023.

CUSHMAN & WAKEFIELD
戴德梁行

27/F
One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

4 December 2023

The Directors
China SCE Group Holdings Limited and
SCE Intelligent Commercial Management Holdings Limited
Room 2801, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE AND VALUATION DATE

In accordance with the instructions by China SCE Group Holdings Limited and SCE Intelligent Commercial Management Holdings Limited (referred to as the "**Companies**") and its subsidiaries (together referred to as the "**Group**") for us to value the property held for investment purpose in the People's Republic of China (the "**PRC**") (as more particularly described in the valuation report and referred to as the "**Property**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 September 2023 (the "**Valuation Date**").

DEFINITION OF MARKET VALUE

Our valuation of the Property represents its market value which in accordance with HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTIONS

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, and The HKIS Valuation Standards 2020 published by HKIS.

In the course of our valuation of the Property in the PRC, we have relied on the information and advice given by the Group and its legal adviser, Hui Ye Law Firm, regarding the title of the Property. In valuing the Property, we have prepared our valuation on the basis that the owner of the Property has an enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired land use term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

In respect of the Property situated in the PRC, the status of title and grant of major certificates, approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation report.

METHOD OF VALUATION

In valuing the Property in the PRC, we have adopted the market comparison method by making reference to comparable sales evidence as available in the relevant market. While we have conducted a check by using the income capitalisation method on the basis of capitalisation of rental derived from the rental potential of the Property, we have not adopted the valuation result for the purpose of valuing the Property.

Market comparison method is the best method for property valuation in theory because it is a market method showing what price levels that the buyers really paid for the properties in the market. However, this method has limitation for application especially in the event that relevant property transactions are few and the nature of properties are not uniform. Market comparison method is a method of valuation based on comparing the property to be assessed directly with other comparable properties which recently changed hands. These premises are generally located in the surrounding areas or in another market which are comparable to the Property. However, because of the heterogeneous nature of properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under consideration. The Property under valuation has sufficient transactions in the relevant market and market comparison method is a suitable method for valuing the Property.

SOURCES OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group regarding the title of the Property. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the title of the Property in the PRC but no searches have been made in respect of the Property. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the Property in the PRC and we have therefore relied on the advice given by the Group and the PRC legal opinion prepared by the Group's legal adviser regarding the Property.

SITE INSPECTION

Our valuer, Ms. Melody Chen, Manager with Master's Degree and 4 years of experience in property valuation in the PRC, inspected the exterior and, whenever possible, the interior of the Property on 2 November 2023. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary sums stated in our valuation are in Renminbi, the official currency of the PRC.

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
Registered Professional Surveyor (General Practice)
MRICS, MHKIS
Senior Director
Valuation & Advisory Services

Note: Ms. Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current knowledge of the market, and the skills and understanding to undertake the valuations competently.

VALUATION REPORT

The Property held for investment purpose

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2023
Major portion of the shopping mall known as Funworld situated at Block nos. 1 and 4 No. 8 Xinchengdong Street, Mentougou District, Beijing, the PRC 中國北京市門頭溝區新城東街8號院1號樓和4號樓北京中駿世界城商場主要部份	Completed in 2022, the subject shopping mall is erected on a parcel of land with site area of approximately 26,894.73 sq m and is a 5-storey building with 3-level basements with a total above ground and underground gross floor area of approximately 113,667.10 sq m. The Property comprises the major portion of the subject shopping mall and has a total gross floor area of approximately 78,499.27 sq m with details as follows: (see table below) The immediate locality of the Property is an urban area in Beijing where are predominated by residential developments with communal facilities. The Property is held with land use rights for commercial use with a term due to expire on 11 March 2059.	As at the Valuation Date, the Property has a total lettable floor area of approximately 33,805.00 sq m. As advised by the Group, major portion of the Property was leased under various tenancies with a total leased floor area of approximately 33,643.00 sq m with a total prevailing monthly rent of approximately RMB2,943,028. The latest expiry date of these tenancies is 1 July 2038. The remaining portion of the Property was vacant.	RMB1,241,000,000 (RENMINBI ONE BILLION TWO HUNDRED FORTY ONE MILLION)

Floor level	Use	Approximate Gross Floor Area *(sq m)*
L5	Retail	10,649.01
L4	Retail	14,233.80
L3	Retail	14,451.07
L2	Retail	15,362.45
L1	Retail	5,428.39
B1	Retail	14,039.22
L1	Ancillary	4,335.33
Total		**78,499.27**

Notes:

(1) According to two Real Estate Title Certificates issued by 北京市規劃和國土資源管理委員會 (Beijing Municipal Commission of Planning and Land Resources), the real estate title of the Property has been vested in 北京泰騰置業有限公司 (Beijing Taiteng Real Estate Co., Ltd.) with site area of 26,894.73 sq m for a term due to expire on 11 March 2059 for commercial use with details below.

Certificate no.	Date of issue	Location	Gross floor area *(sq m)*
(2023) 0001439	15 March 2023	Levels 1 to 5, Block no. 1 of No. 8 Xinchengdong Street, Mentougou District	64,460.05
(2023) 0002221	19 April 2023	Basement 1, Block no. 4 of No. 8 Xinchengdong Street, Mentougou District	14,039.22
		Total:	**78,499.27**

(2) According to Business Licence No. 91110105MA01Q19D6M dated 9 January 2023, 北京泰騰置業有限公司 (Beijing Taiteng Real Estate Co., Ltd.) was established on 17 January 2020 as a limited company with a registered capital of RMB600,000,000.

(3) We have been provided with a legal opinion issued by the Group's PRC legal adviser, Hui Ye Law Firm, which contains, inter alia, the following information:

(a) The Real Estate Title Certificates of the Property are valid, legal and enforceable under the PRC laws;

(b) 北京泰騰置業有限公司 (Beijing Taiteng Real Estate Co., Ltd.) is the sole legal land user of the Property and has obtained Real Estate Title Certificates of the Property; and

(c) 北京泰騰置業有限公司 (Beijing Taiteng Real Estate Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the real estate title of the Property.

(4) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows.

Real Estate Title Certificate	Yes
Business Licence	Yes

(5) Our major parameters adopted in our method of valuation are as follows.

Use	Market unit price
Retail on Level 1	RMB23,860 per sq m on gross floor area basis

In valuing the Property in the PRC, we have adopted the market comparison method by making reference to comparable sales evidence as available in the relevant market.

In undertaking our valuation, we have made reference to various recent sales of other similar properties within the same district.

We have gathered the sales evidence of three retail property units on Level 1 of three shopping malls as comparable sales evidence to the Property because the nature of these comparables is the same as that of the Property. Their location is quite close to the Property. The transaction date of these comparables was 30 September 2023. The selling prices of those similar retail properties on Level 1 range from approximately RMB23,000 to RMB25,800 per sq m on gross floor area basis. After undertaking appropriate adjustments to those comparable unit selling prices, we adopted the unit price of about RMB23,860 per sq m on gross floor area basis for the Property. The adjustments we have made comprise the nature of transaction, location and the size of floor area factors. The above market unit price adopted by us are consistent with the level of the recent sales of other similar properties within the same district as mentioned above.

Since the Property comprises a shopping mall of 6 floor levels, usually the floor Level 1 has the highest value and upper floor level has lesser value. We applied appropriate adjustment to the adopted average unit price on Level 1 in order to arrive at the average unit price on different floor levels. By multiplying the average unit price on each floor level and their corresponding gross floor area, we can obtain the market value of each floor level. The summation of the market value of each floor level is the market value of the Property.

The details of the exhaustive list of sales evidence of three retail property units on Level 1 of three shopping malls gathered are tabulated below for reference.

Comparable no.	**Comparable–1**	**Comparable–2**	**Comparable–3**
Name of property	西長安壹號 (West Chang'an No.1)	馮村嘉園 (Fengcun Jiayuan)	Plus365購物中心 (Plus365 Shopping Center)
District in Beijing	門頭溝 (Mentougou)	門頭溝 (Mentougou)	門頭溝 (Mentougou)
Address	金安路 (Jinan Road)	石龍北路 (Shilong North Road)	馮石環路 (Fengshihuan Road)
Type of property	Retail	Retail	Retail
Floor level	Level 1	Level 1	Level 1
Date of asking	30 September 2023	30 September 2023	30 September 2023
Asking price	RMB5,202,800	RMB5,208,300	RMB3,879,400
Gross floor area	226.21 sq m	208.33 sq m	150.00 sq m
Unit average price	RMB23,000 per sq m	RMB25,000 per sq m	RMB25,863 per sq m

We have conducted a check by using the income capitalisation method on the basis of capitalisation of rental derived from the rental potential of the Property. The valuation result derived by this valuation method was RMB1,241,000,000 (Renminbi One Billion Two Hundred Forty One Million).

Our major parameters adopted in our method of valuation are as follows.

Use	**Market unit rent**
Retail on Level 1	RMB157 per sq m per month on gross floor area basis

The capitalisation rate we used for the Property is 5.50%.

In undertaking our valuation, we have made reference to various recent rental comparable evidence of other similar properties within the same district.

The rental comparable of those similar retail properties on Level 1 range from approximately RMB150 per sq m per month to RMB167 per sq m per month. After undertaking appropriate adjustments to those comparable unit rents, we adopted a unit rent of RMB157 per sq m per month for the Property. The above market unit rent adopted by us is consistent with the level of the recent rental comparable evidence of other similar properties within the same district as mentioned above.

The details of the exhaustive list of rental evidence of three retail property units on Level 1 of three shopping malls gathered are tabulated below for reference.

Comparable no.	Comparable–1	Comparable–2	Comparable–3
Name of property	翡翠長安 (Jade Chang'an)	長安天街 (Chang'an Tianjie)	北京西長安中駿世界城 (Beijing West Chang'an SCE Funworld)
District in Beijing	門頭溝 (Mentougou)	門頭溝 (Mentougou)	門頭溝 (Mentougou)
Address	龍興路 (Longxing Road)	新城大街 (Xincheng Main Street)	新城東街 (Xinchengdong Street)
Type of property	Retail	Retail	Retail
Floor level	Level 1	Level 1	Level 1
Date of asking	30 September 2023	30 September 2023	30 September 2023
Asking monthly rent	RMB16,000	RMB11,000	RMB20,000
Gross floor area	107.00 sq m	72.46 sq m	120.00 sq m
Unit average monthly rent	RMB150 per sq m	RMB152 per sq m	RMB167 per sq m

1. RESPONSIBILITY STATEMENT

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

(a) Interests and/or short positions of the Directors and chief executives

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (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 any such Director or, chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which 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:

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)	3.90%
Mr. Sun Qiang	Interest in a controlled corporation *(Note 4)*	20,120,724 (L)	1.04%
Ms. Ku Weihong	Interest in a controlled corporation *(Note 5)*	50,301,811 (L)	2.60%

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 1,935,000,000 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	Beneficial owner *(Note 3)*	30,000,000 (L)	0.71%
Ms. Ku Weihong	China SCE	Beneficial owner *(Note 3)*	30,000,000 (L)	0.71%
Mr. Huang Youquan	China SCE	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 the Company.

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

3. Such interests are in the form of share options of China SCE 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. 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 INTEREST

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. INTERESTS IN CONTRACT OR ARRANGEMENT AND 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 2022 (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.

5. LITIGATION

As at the Latest Practicable Date, no litigation or claim which may be of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Enlarged Group which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contract (not being contract entered into in the ordinary course of business) was entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date and is, or may be, material:

(a) the loan agreement dated 24 November 2022 entered into between Zhongjun CM, an indirect wholly-owned subsidiary of the Company, as lender and 上海中駿置業有限公司 (Shanghai Zhongjun Property Co., Ltd.*), an indirect wholly-owned subsidiary of China SCE, as borrower pursuant to which the lender has agreed to advance to the borrower a loan a fixed term commencing from the date of drawdown and ending on 31 December 2024 in the principal amount of up to RMB900.0 million at an interest rate of 7.0% per annum; and

(b) the SPA.

9. EXPERTS AND CONSENTS

The names and qualifications of the professional advisers who have been named in this circular or given its opinion or advice which is contained in this circular are set forth below:

Name	Qualification
Maxa Capital Limited	Independent Financial Adviser
Ernst & Young	Certified Public Accountants, Hong Kong
Cushman & Wakefield Limited	Valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of their letters and/or reference to their names or opinions in the form and context in which they appear.

As at the Latest Practicable Date:

(a) the experts above did not have any direct or indirect interests in any assets which have been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up), acquired, disposed of or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group; and

(b) the experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

10. GENERAL

(a) 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.

(b) The registered office of the Company is situated at 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.

(c) The Company's Hong Kong share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English texts of this circular shall prevail over the Chinese texts in case of inconsistency.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sce-icm.com) a period of 14 days from the date of this circular:

(a) the SPA; and

(b) the written consent of each of the experts referred to in the paragraph headed "Experts and Consents" in this Appendix.

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 (the "**EGM**") of the shareholders 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 Thursday, 21 December 2023 at 4:00 p.m. for the purposes of considering and, if thought fit, approving the matters set out below.

ORDINARY RESOLUTIONS

"**THAT**

(a) the sale and purchase agreement (the "**SPA**") dated 6 November 2023 entered into between China SCE Assets Holdings Limited and Lofty Idea Enterprises Limited, a copy of which is marked "A" and initialled by the chairman of the meeting for the purpose of identification, and the terms and the transactions contemplated thereunder be and are hereby confirmed and approved; 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 hereby authorised to sign and execute such other documents and supplemental agreements and deeds (including the affixation of the common seal of the Company where execution under seal is required) for and on behalf of the Company and to do all such things and take all such actions as he/she may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the SPA and/or the transactions contemplated thereunder."

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

Hong Kong, 4 December 2023

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 Company's Hong Kong share registrar, 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 4:00 p.m. on Tuesday, 19 December 2023 (Hong Kong time)) or any adjournment thereof.

4. For the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 18 December 2023 to Thursday, 21 December 2023, both dates inclusive, during which period no transfer of the Shares will be effected. In order to qualify for attending the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, 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 Friday, 15 December 2023.

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, Mr. Ding Zuyu, Mr. Wang Yongping and Mr. Pang Hon Chung as independent non-executive directors.