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Lushang Life Services Co., Ltd.

魯商生活服務股份有限公司

(A joint stock company incorporated in the People’s Republic of China with limited liability)

(Stock Code: 2376)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF 100% OF THE EQUITY INTEREST IN
THE TARGET COMPANY**

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



THE EQUITY TRANSFER AGREEMENT

On 27 February 2024 (after trading hours of the Stock Exchange), the Company entered into the Equity Transfer Agreement with the Purchaser and the Target Company, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Interest, representing 100% of the equity interest in the Target Company, at the Consideration of RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39) in cash.

Upon Completion, the Target Company will be owned by the Purchaser as to 100% of its equity interest, and following the Disposal, the Company will cease to have any interest in the Target Company and, accordingly, the financial results of the Target Company will no longer be consolidated in the Group’s accounts.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser is a wholly-owned subsidiary of Shandong Commercial, which is the controlling Shareholder of the Company. Shandong Commercial, together with its associates, hold and/or are entitled to exercise control over 100,000,000 Domestic Shares, which represent approximately 75.00% of the Company's entire issued share capital. Therefore, being an associate of Shandong Commercial, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and the Disposal pursuant to the Equity Transfer Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Moreover, with reference to the Acquisition Announcement, the Acquisition contemplated thereunder has the Company as the purchaser and Lushang Freda (a subsidiary of Shandong Commercial) as the vendor, given Lushang Freda and its associates hold and/or are entitled to exercise control over 100,000,000 Domestic Shares, being approximately 75.00% of the entire issued share capital of the Company, Lushang Freda is a controlling Shareholder and a connected person of the Company, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Acquisition and the Disposal were entered into between the Company and two respective subsidiaries of the same controlling Shareholder (i.e. Shandong Commercial), and the subject matter of the Acquisition and the Disposal are similar, being the transfer of such equity interest over companies owned by the Company and its Shareholders, they are related and expected to be completed within a 12-month period, the Acquisition and the Disposal shall be aggregated and as considered one transaction pursuant to Rules 14.22, 14.23, 14A.81 and 14A.82 of the Listing Rules.

On a standalone basis, one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition and the transactions contemplated thereunder exceed 0.1% but are all less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Such requirements were accordingly fulfilled in the Acquisition Announcement published prior to this announcement.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal pursuant to the Equity Transfer Agreement (whether on a standalone basis or when aggregated with the Acquisition) constitutes a disclosable transaction of the Company and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Furthermore, with one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% and the total consideration of the Disposal being more than HK\$10,000,000.00, the Disposal pursuant to the Equity Transfer Agreement (whether on a standalone basis or when aggregated with the Acquisition) constitutes a connected transaction of the Company which is subject to reporting, announcement, circular, independent financial advice and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As at the date of this announcement, Mr. Wang Zhongwu and Ms. Li Lu are respectively a director and a senior manager of the Purchaser. Accordingly, each of Mr. Wang Zhongwu and Ms. Li Lu has considered himself/herself to have a material interest in the Equity Transfer Agreement and has abstained from voting on the relevant resolution(s) of the Board approving the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save and except for the Purchaser and its associates, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder and his/her/its associates (other than the Purchaser and its associates) are therefore required to abstain from voting on the relevant resolution(s) to approve, amongst other things, the Disposal to be proposed at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors (i.e. Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao) has been established to consider, and make recommendations to the Independent Shareholders regarding, amongst other things, whether the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Equity Transfer Agreement.

Pursuant to Rule 13.39(6) of the Listing Rules, Silverbricks Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Equity Transfer Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on whether to vote in favour of the resolutions to be proposed for approving the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder at the EGM.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Equity Transfer Agreement and the Disposal; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) the notice convening the EGM, is required to be despatched to the Shareholders within fifteen (15) Business Days after the publication of this announcement in accordance with the Listing Rules. As additional time is required to prepare and finalise certain information to be included in the circular, the circular is expected to be despatched on or before 28 March 2024.

As the Disposal pursuant to the Equity Transfer Agreement and its Completion are subject to the fulfilment of the Effective Conditions and the Registration of Change set out in the Equity Transfer Agreement, the transactions contemplated thereunder may or may not proceed to completion and Shareholders and potential investors of the Company should exercise caution when dealing with the securities of the Company.

INTRODUCTION ON THE DISPOSAL

The Board hereby announces that, on 27 February 2024 (after trading hours of the Stock Exchange), the Company entered into the Equity Transfer Agreement with the Purchaser and the Target Company, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Interest, representing 100% of the equity interest in the Target Company, at the Consideration of RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39) in cash.

THE EQUITY TRANSFER AGREEMENT

The principal terms and conditions of the Equity Transfer Agreement are set out as follows:

Date : 27 February 2024 (after trading hours of the Stock Exchange)

Parties : (1) The Company, as the Vendor;

(2) Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司), as the Purchaser; and

(3) Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司), the Target Company.

Subject Matter

Pursuant to the Equity Transfer Agreement, the Company, as the Vendor, has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Interest, representing 100% of the equity interest in the Target Company, at the Consideration of RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39) in cash.

Upon Completion, the Target Company will be owned by the Purchaser as to 100% of its equity interest, and following the Disposal, the Company will cease to have any interest in the Target Company and, accordingly, the financial results of the Target Company will no longer be consolidated in the Group's accounts.

Consideration and Payment Terms

The Consideration shall be RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39), which shall be payable in cash by the Purchaser to the Company within fifteen (15) days upon the taking effect of the Equity Transfer Agreement.

Basis of Consideration and Valuation of the Target Company

The Consideration was arrived at after arm's length negotiations among the parties to the Equity Transfer Agreement with reference to:

- (i) the appraised value of the Sale Interest (representing 100% equity interest in the Target Company) as at the Valuation Benchmark Date in the amount of approximately RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39) in the Valuation Report issued by the Independent Valuer; and
- (ii) the benefits to be derived by the Group from the Disposal as stipulated in the section headed "Reasons for and benefits of the Disposal" below.

Under the Valuation conducted by the Independent Valuer, the appraised net asset value of the Target Company as at the Valuation Benchmark Date in the amount of approximately RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39) was arrived at with adoption of the asset-based approach, which was considered the most appropriate approach for the valuation of the Target Company.

In view of the Valuation Report, and taking into account that (i) the Valuation Report was prepared in compliance with PRC valuation procedures, standards, laws and regulations by the Independent Valuer; and (ii) the Independent Valuer had reviewed relevant financial information, operational information and other data relevant to the Target Company prior to its conclusion of the above appraised value, the Directors consider that the methodology utilised for the Valuation and the results derived thereunder to be fair and reasonable.

Taking into account of the above, the Board of Directors (save and except for (i) the independent non-executive Directors who has formed the Independent Board Committee and will express their views after receiving advice from the Independent Financial Adviser; and (ii) Mr. Wang Zhongwu and Ms. Li Lu who abstained from voting at the Board meeting with respect to the resolutions relevant to the Disposal due to their respective material interest in the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder) is of the view that the Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Effective Date

The Equity Transfer Agreement shall take effect upon execution by the parties thereto, subject to the fulfilment of all the following Effective Conditions:

- (A) the passing of all resolution(s) by the Independent Shareholders at the EGM to be convened, approving the Disposal, the entry into of the Equity Transfer Agreement and the transactions contemplated thereunder;
- (B) the approval to the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder having been obtained from the board of directors of Lushang Freda;
- (C) the shareholders and the board of directors of the Purchaser having respectively passed such effective resolutions in accordance with the applicable laws and regulations of the PRC and the articles of association of the Purchaser (where applicable) to approve the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder; and
- (D) the shareholders and the board of directors of the Target Company having respectively passed such effective resolutions in accordance with the applicable laws and regulations of the PRC and the articles of association of the Target Company (where applicable) to approve the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder.

Conditions for Completion

Within ten (10) days after the payment of the Consideration in full, the Company and the Purchaser shall complete and fulfill all Registration of Change. Completion shall take place upon completion of the Registration of Change.

Arrangements during the Transitional Period

During the Transitional Period, any profit or loss of the Target Company shall be enjoyed or borne (as the case may be) by the Purchaser as if Completion has been taken place.

INFORMATION OF THE COMPANY AND THE GROUP

The Company (being the Vendor to the Equity Transfer Agreement), is an investment holding, joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the main board of the Stock Exchange (stock code: 2376).

The Group is principally engaged in the provision of (i) property management services for property developers, property owners, residents and tenants with a wide range of property management services; (ii) wide spectrum of value-added services to non-property owners covering various stages of the property development and delivery process; and (iii) community value-added services with the aim to improve property owners' and residents' quality of life.

INFORMATION OF THE PURCHASER

The Purchaser, Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司) is an investment holding company established in the PRC with limited liability. It is also wholly-owned subsidiary of Shandong Commercial, a controlling Shareholder which indirectly holds 100,000,000 Domestic Shares, representing approximately 75.00% of the Company's entire issued share capital. Amongst the shareholding of Domestic Shares contemplated above, Green Development, a wholly-owned subsidiary of the Purchaser, holds 4,900,000 Domestic Shares, representing approximately 3.67% of the Company's entire issued share capital.

INFORMATION OF THE TARGET COMPANY

The Target Company, a wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion, is a company incorporated in the PRC with limited liability on 16 January 2023 with a registered capital of RMB20,000,000.00.

It is principally engaged in (i) the interior renovation and refurbishing for residential flats and apartments; (ii) construction works; (iii) subcontracting of construction projects; and (iv) the design for and the monitoring over construction works.

Financial information of the Target Company

The audited consolidated financial information of Target Company for the period from its establishment on 16 January 2023 till 31 July 2023 prepared by the Auditor in accordance with China Accounting Standards for Business Enterprises are as follows:

	For the period ended 31 July 2023 <i>(audited)</i> <i>(RMB'000)</i>
Revenue	23,867.37
Profit/ (loss) before tax	1,938.96
Profit/ (loss) after tax	1,840.79

As at 31 July 2023, the audited net asset value of 100% of the equity interest in the Target Company was RMB21,840,785.51 (equivalent to approximately HK\$23,739,984.25), and according to the Valuation Report, the appraised net asset value of the Target Company was approximately RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39).

FINANCIAL EFFECTS OF THE DISPOSAL

Immediately prior to Completion, the Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the Target Company will be owned by the Purchaser as to 100% of its equity interest, and following the Disposal, the Company will cease to have any interest in the Target Company and, accordingly, the financial results of the Target Company will no longer be consolidated in the Group's accounts.

Based on the consideration of the Sale Interest under the Equity Transfer Agreement, the Company expects to recognise a pre-tax disposal gain of approximately RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39) before costs and expenses in relation to the Disposal. The actual effect of the Disposal on the consolidated financial statements of the Group is to be determined as at Completion and subject to audit.

The Company intends to use the proceeds from the Disposal to strengthen the general working capital of the Group and actively promote the transformation and development of the Group's businesses, in particular, the transformation and enhancement of the Group's principally engaged businesses on property management by means of the digitalisation and the involvement of more advanced technologies in the process of operations, so as to enhance the company's core competitiveness and development capabilities.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the provision of (i) property management services for property developers, property owners, residents and tenants with a wide range of property management services; (ii) wide spectrum of value-added services to non-property owners covering various stages of the property development and delivery process; and (iii) community value-added services with the aim to improve property owners' and residents' quality of life.

Severe market challenges have been present over the past few years owing to the myriads of uncertain macroeconomic conditions as a result of the combination of the global trade and political tensions, in turn, such downward trend of economy has led to the decrease in the demand to real estates and it ultimately impacts the revenue derived from the services provided by the Group. In view of which, the Company intends to make corresponding adjustments on its strategy regarding services provision in connection with its principally engaged businesses.

According to the latest interim report of the Group with its unaudited financial information for the six months ended 30 June 2023 and published by the Company on 25 September 2023, among the three segments of principally-engaged businesses of the Group, for the six-month period ended 30 June 2023, only the segment on the provision of value-added services to non-property owners recorded a decrease of approximately 24.9% of revenue when compared to the same period in 2022; the other two segments recorded an increase of approximately 16.7% in revenue and an increase of approximately 7.7% in revenue as compared to the same period in 2022.

To go into further details, the segment on the provision of value-added services to non-property owners can be further divided into five sub-segments of businesses, comprising (i) design services; (ii) preliminary property management services; (iii) landscaping services; (iv) pre-delivery services; and (v) other customised value-added services addressing various demands such as repair and maintenance services. From the aforementioned interim report, the revenue derived from all sub-segments of businesses described above for the six-month period ended 30 June 2023 dropped when compared to the six-month period ended 30 June 2022.

Moreover, as the Target Company is principally engaged in the provision of refurbishing and renovation services for residential flats and apartments, its businesses was categorised under the sub-segment of landscaping services, and the revenue generated by the Target Company from the date of its establishment to the Valuation Benchmark Date amounted to approximately RMB23.87 million, and in view of its gross profit amounted to approximately RMB1.94 million, the operational costs of the Target Company is quite high and it is not operating efficiently with a gross profit margin of approximately 8.12%, and comparatively, the gross profit margin of the segment on the provision of value-added services to non-property owners for the period of six months ended 30 June 2023 was approximately 21.60%.

In light of the above, the Directors considered it a good opportunity for the Group to proceed with the Disposal, in order to realise its investment in the Target Company and to streamline its business operations by disposing such company with poor operational performance, so as to enhance the operational efficiency of the assets of the Group, which is in line with the strategic deployment of resources and the actual needs for operational development of the Group.

Furthermore, the Disposal allows the Group to focus on and refine its principally-engaged businesses such as property management services and community value-added services and concentrate resources to enhance those segments of businesses by means of the application of the Group's strategic plans regarding the transformation and enhancement of the Company's businesses with more advanced technologies and the digitalization of the operation processes. Such development requires substantial capital investment and the proceeds from the Disposal can further supplement the Company's general working capital required for such industrial transformation and development. The promotion of the Group's competitiveness and development capabilities matches with its continuous dedication to maximise value for the Shareholders and proactive attitude to seek fresh opportunities with exploration made for the Group's current business segments to broaden the revenue and profit base of the Group.

In light of the above, the Directors (save and except for (i) the independent non-executive Directors who has formed the Independent Board Committee and will express their views to be set out in the letter from the Independent Board Committee in the circular after receiving advice from the Independent Financial Adviser; and (ii) Mr. Wang Zhongwu and Ms. Li Lu who abstained from voting at the Board meeting with respect to the resolutions relevant to the Disposal due to their respective material interest in the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder) are of the view that the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder are on normal commercial terms, and that the terms of the transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser is a wholly-owned subsidiary of Shandong Commercial, which is the controlling Shareholder of the Company. Shandong Commercial, together with its associates, hold and/or are entitled to exercise control over 100,000,000 Domestic Shares, which represent approximately 75.00% of the Company's entire issued share capital. Therefore, being an associate of Shandong Commercial, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and the Disposal pursuant to the Equity Transfer Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Moreover, with reference to the Acquisition Announcement, the Acquisition contemplated thereunder has the Company as the purchaser and Lushang Freda (a subsidiary of Shandong Commercial) as the vendor, given Lushang Freda and its associates hold and/or are entitled to exercise control over 100,000,000 Domestic Shares, being approximately 75.00% of the entire issued share capital of the Company, Lushang Freda is a controlling Shareholder and a connected person of the Company, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Acquisition and the Disposal were entered into between the Company and two respective subsidiaries of the same controlling Shareholder (i.e. Shandong Commercial), and the subject matter of the Acquisition and the Disposal are similar, being the transfer of such equity interest over companies owned by the Company and its Shareholders, they are related and expected to be completed within a 12-month period, the Acquisition and the Disposal shall be aggregated and as considered one transaction pursuant to Rules 14.22, 14.23, 14A.81 and 14A.82 of the Listing Rules.

On a standalone basis, one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition and the transactions contemplated thereunder exceed 0.1% but are all less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Such requirements were accordingly fulfilled in the Acquisition Announcement published prior to this announcement.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal pursuant to the Equity Transfer Agreement (whether on a standalone basis or when aggregated with the Acquisition) constitutes a disclosable transaction of the Company and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Furthermore, with one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% and the total consideration of the Disposal being more than HK\$10,000,000.00, the Disposal pursuant to the Equity Transfer Agreement (whether on a standalone basis or when aggregated with the Acquisition) constitutes a connected transaction of the Company which is subject to reporting, announcement, circular, independent financial advice and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As at the date of this announcement, Mr. Wang Zhongwu and Ms. Li Lu are respectively a director and a senior manager of the Purchaser. Accordingly, each of Mr. Wang Zhongwu and Ms. Li Lu has considered himself/herself to have a material interest in the Equity Transfer Agreement and has abstained from voting on the relevant resolution(s) of the Board approving the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save and except for the Purchaser and its associates, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder and his/her/its associates (other than the Purchaser and its associates) are therefore required to abstain from voting on the relevant resolution(s) to approve, amongst other things, the Disposal to be proposed at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors (i.e. Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao) has been established to consider, and make recommendations to the Independent Shareholders regarding, amongst other things, whether the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Equity Transfer Agreement.

Pursuant to Rule 13.39(6) of the Listing Rules, Silverbricks Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Equity Transfer Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on whether to vote in favour of the resolutions to be proposed for approving the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder at the EGM.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Equity Transfer Agreement and the Disposal; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) the notice convening the EGM, is required to be despatched to the Shareholders within fifteen (15) Business Days after the publication of this announcement in accordance with the Listing Rules. As additional time is required to prepare and finalise certain information to be included in the circular, the circular is expected to be despatched on or before 28 March 2024.

As the Disposal pursuant to the Equity Transfer Agreement and its Completion are subject to the fulfilment of the Effective Conditions and the Registration of Change set out in the Equity Transfer Agreement, the transactions contemplated thereunder may or may not proceed to completion and Shareholders and potential investors of the Company should exercise caution when dealing with the securities of the Company.

DEFINITIONS

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

“Acquisition”	acquisition of the equity interest in Shandong Lujian, as referred to in the Acquisition Announcement;
“Acquisition Announcement”	the announcement of the Company dated 27 February 2024, in relation to, amongst other things, the Acquisition and the EITA;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Auditor”	Da Hua Certified Public Accountants (Special General Partnership), the reporting auditor of the Company;
“Board”	the board of Directors;
“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which licensed banks are open for general banking business in Hong Kong;
“Company”/ “Vendor”	Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, its H Shares are listed and traded on the main board of the Stock Exchange (stock code: 2376);
“Completion”	completion of the Disposal in accordance with the Equity Transfer Agreement;
“connected person”	has the meaning ascribed to it in the Listing Rules;

“Consideration”	the consideration in the amount of RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39) payable by the Purchaser as consideration for the Sale Interest;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Interest (being 100% of the equity interest in the Target Company) by the Company pursuant to the Equity Transfer Agreement;
“Domestic Share(s)”	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB;
“Effective Conditions”	conditions for the Equity Transfer Agreement to take effect, details of such conditions are set out in the paragraph headed “ Effective Date ” in this announcement;
“EGM”	the first extraordinary general meeting of the Company in 2024 (or any adjournment thereof) to be convened and held to consider and, if thought fit, approve the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder;
“EITA”	the equity interest transfer agreement in relation to, amongst other things, the Acquisition, as referred to in the Acquisition Announcement;
“Equity Transfer Agreement”	the transfer agreement with respect to the Sale Interest (i.e. 100% of the equity interest in the Target Company) dated 27 February 2024 and entered into between the Purchase, the Vendor and the Target Company in relation to the Disposal, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Interest, at the consideration of RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39) ;

“Green Development”	Shandong Urban and Rural Green Industry Development Investment Co., Ltd. (山東省城鄉綠色產業發展投資有限公司), a wholly-owned subsidiary of the Purchaser, which holds 4,900,000 Domestic Shares, representing approximately 3.67% of the Company’s entire issued share capital;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, namely Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao, which has been established to make recommendations to the Independent Shareholders on the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder;
“Independent Financial Adviser”	Silverbricks Securities Company Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder;
“Independent Shareholders”	the Shareholders, other than the Purchaser and its associates, who have no material interest in the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder to be proposed at the EGM and are not required under the Listing Rules to abstain from voting at the EGM;

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial Shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates;
“Independent Valuer”	China Enterprise Appraisals Consultation Co., Ltd. (北京中企華資產評估有限責任公司), an Independent Third Party, engaged by the Company for the purpose of appraisal of the value of Sale Interest;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lushang Freda”	Lushang Freda Pharmaceutical Co., Ltd. (魯商福瑞達醫藥股份有限公司), (i) a non-wholly owned subsidiary of Shandong Commercial; (ii) a controlling Shareholder holding 95,100,000 Domestic Shares, which represents approximately 71.32% of the entire issued share capital of the Company; and (iii) a joint stock company established in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (stock code: 600223);
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Purchaser”	Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shandong Commercial, the controlling Shareholder of the Company;

“Registration of Change”	relevant procedures in respect of the completion of the Disposal, being the transfer of the Sale Interest, including but not limited to (i) the register of members of the Target Company to be revised; and (ii) such necessary changes of industrial and commercial registration;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interest”	100% of the equity interest in the Target Company, being the subject matter of the Disposal;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shandong Commercial”	Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司), owned by Shandong SASAC as to 70% of its equity interest, is a company established in the PRC with limited liability and the controlling Shareholder of the Company; and Shandong Commercial together with its associates, hold and/or are entitled to exercise control 100,000,000 Domestic Shares, representing approximately 75.00% of the Company’s entire issued share capital;
“Shandong Lujian”	Shandong Lujian Property Management Limited* (山東魯健產業管理股份有限公司), a company established in the PRC with limited liability and is owned by Lushang Freda as to 100% of its equity interest as at the date of the Acquisition Announcement;
“Shandong SASAC”	Shandong Provincial State-Owned Assets Supervision and Administration Commission (山東省人民政府國有資產監督管理委員會);
“Share(s)”	Domestic Share(s) and/or H Share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;

“Target Company”	Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion;
“Transitional Period”	the period from the Valuation Benchmark Date to the date of Completion (both dates inclusive);
“Valuation”	the appraisal of the net asset value of 100% of the equity interest in the Target Company as at the Valuation Benchmark Date, as appraised by the Independent Valuer;
“Valuation Benchmark Date”	31 July 2023, being the valuation reference date of the appraised net asset value of the Sale Interest;
“Valuation Report”	the valuation report dated 5 January 2024 issued by the Independent Valuer with respect to the Valuation; and
“%”	per cent.

By Order of the Board
Lushang Life Services Co., Ltd.
Mr. WANG Zhongwu
Chairman and Executive Director

27 February 2024
Jinan, the PRC

For the purpose of this announcement, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.92. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

As at the date of this announcement, the board of directors of the Company comprises Mr. WANG Zhongwu as Chairman and executive Director and Mr. SHAO Meng as executive Director, Ms. LI Lu, Ms. LUO Ye and Ms. LI Han as non-executive Directors, and Ms. LEUNG Bik San, Ms. CHEN Xiaojing and Mr. MA Tao as independent non-executive Directors.

* *For identification purposes only*