

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Lushang Life Services Co., Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF 100% OF THE EQUITY INTEREST
IN THE TARGET COMPANY
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Capitalised terms used in this cover page shall have the same meaning as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 21 of this circular. and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages IBC-1 to IBC-2 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 IFA-1 to IFA-22 of this circular.

A notice convening the EGM to be held at 38th Floor, Block 5, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC on Friday, 19 April 2024 at 9:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.lushangfuwu.com).

Whether or not you intend to attend the EGM (or any adjournment thereof), you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H shareholders), or to the registered office of the Company at Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC (for domestic shareholders) as soon as possible and in any event not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event the form of proxy shall be deemed to be revoked.

22 March 2024

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or 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\$23,765,000.00) payable by the Purchaser as consideration for the Sale Interest;
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Deed of Non-competition”	the deed of non-competition dated 22 June 2022 and entered into in favour of the Company by the controlling Shareholders;

DEFINITIONS

“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;
“Disposal Announcement”	the announcement of the Company dated 27 February 2024, in relation to, amongst other things, the Disposal and 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 circular;
“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 Purchaser, 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\$23,765,000.00);
“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;

DEFINITIONS

“H Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are (i) listed on the main board of the Stock Exchange; and (ii) subscribed for and traded in Hong Kong dollars;
“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;

DEFINITIONS

“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;
“Latest Practicable Date”	19 March 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“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 circular, 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;
“Restricted Businesses”	any business (other than the Company’s business) that directly or indirectly competes, or may compete, with the Company’s business, which includes providing property management services, community value-added services and value-added services to non-property owners;

DEFINITIONS

“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 entitled to exercise control over 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;
“Supervisor”	has the meaning ascribed to it under the Listing Rules;
“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 Latest Practicable Date and immediately prior to Completion;
“Transitional Period”	the period from the Valuation Benchmark Date to the date of Completion (both dates inclusive);

DEFINITIONS

“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.

For the purposes of this circular, unless the context requires otherwise, 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.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables, the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

Unless otherwise specified, the English text of this circular, the notice of the EGM and accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistency.

* For identification purpose only



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)

Executive Directors

Mr. WANG Zhongwu (*Chairman*)

Mr. SHAO Meng

Non-executive Directors

Ms. LI Lu

Ms. LUO Ye

Ms. LI Han

Independent non-executive Directors

Ms. LEUNG Bik San

Ms. CHEN Xiaojing

Mr. MA Tao

Registered office and

headquarters in the PRC

Room 202, Block 2

Lushang Guo'ao City

No. 9777 Jingshi Road

Lixia District, Jinan

Shandong, the PRC

Principal place of business

in Hong Kong

40/F, Dah Sing Financial Centre

248 Queen's Road East, Wanchai

Hong Kong

22 March 2024

To the Shareholders

Dear Sir/Madam,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF 100% OF THE EQUITY INTEREST
IN THE TARGET COMPANY
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to (i) the Disposal Announcement in relation to, amongst other things, the Equity Transfer Agreement and the Disposal; and (ii) the Acquisition Announcement in relation to, amongst other things, the EITA and the Acquisition.

The purposes of this circular are to provide you with, among other things, (i) further details of the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; (iv) notice of the EGM; and (v) other information as required under the Listing Rules. In the EGM, such necessary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder.

LETTER FROM THE BOARD

THE DISPOSAL

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\$23,765,000.00) 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 to the Equity Transfer Agreement

- (i) The Company, as the Vendor;
- (ii) 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
- (iii) 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\$23,765,000.00) 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\$23,765,000.00), 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.

LETTER FROM THE BOARD

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\$23,765,000.00) in the Valuation Report issued by the Independent Valuer;
- (ii) the track record of the Target Company as demonstrated from its key financial metrics; and
- (iii) other benefits to be derived by the Group from the Disposal as stipulated in the section headed "**Reasons for and benefits of the Disposal**" below.

In order to assess the fairness and reasonableness of the Consideration, the Company engaged the Independent Valuer for the Valuation on the Sale Interest.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no relationship or interest exists between the Valuer and any members of the Group, or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to the independence of the Independent Valuer. Apart from normal professional fees payable to the Independent Valuer in connection with the Valuation of the Sale Interest, no arrangement exists whereby the Independent Valuer will receive any fees or benefits from any members of the Group, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, and it is not aware of the existence of or change in any circumstances that would affect their independence. The Independent Valuer has confirmed to the Company of their independence. Accordingly, the Directors considered that the Independent Valuer are eligible to independently perform the Valuation.

The Directors have assessed the qualification and experience of the Independent Valuer and those of the signors for the Valuation Report; and have understood that the Independent Valuer specialises in the provision of valuation and advisory services in relation to different types of assets, the Directors consider that the Independent Valuer being qualified, experienced and competent in performing the Valuation regarding the Sale Interest.

LETTER FROM THE BOARD

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\$23,765,000.00) was arrived at with adoption of the asset-based approach, which was considered the most appropriate approach for the valuation of the Target Company after taking into account of the following reasons:

- (i) **Market Approach:** Market approach has not been adopted because such adoption of the market approach to conduct valuation requires an active and open market with sufficient and accessible statistics in relation to such market in order to provide market comparable cases. It is understandably hard to obtain market comparable as the Target Company is not a listed company and has only been established for a short period of time. Those listed companies engaging in similar businesses do not have comparable corporate structure, operational risks, financial risks and financial statistics, and there are only a few cases regarding the merger and acquisition of non-listed companies engaging in similar businesses, leading to hardship to receive relevant and reliable comparable cases regarding operations.
- (ii) **Income Approach:** Income approach has not been adopted. The adoption of such approach in a valuation is based on the expected income of such asset under appraisal in reflection of the size of the operating capacity (i.e. the profitability) of the target asset. The Target Company is principally engaged in the refurbishing and renovation of residential flats and apartments and its primary income sources stem from the associates of Shandong Commercial, and therefore the revenue and profit will be affected by the Shandong Commercial's coordination on different construction projects; moreover, the Target Company has only been incorporated recently, and certain portion of its income and expenses remain reliant with a fellow subsidiary, namely Shandong Lushang Architectural Design Co., Ltd. (山東省魯商建築設計有限公司), another wholly-owned subsidiary of the Company; and last but not least, global economy was still struggling to recover albeit the end of the COVID-19 pandemic owing to the global trade and political tensions. The above factors reflected that if the income approach was adopted, there will be uncertainty in appraisal.
- (iii) **Asset-based Approach:** The adoption of the asset-based approach in valuation takes the replacement cost of assets as the value standard, reflecting the fair market value of the entire equity interest in the Target Company from the perspective of asset replacement, which was determined based on the balance sheet of the Target Company as at the Valuation Benchmark Date by assessing the value of each of the identifiable assets and liabilities including current assets (such as cash and cash equivalents, account receivables and contractual assets) and deferred income tax assets. The conclusion can relatively accurately reflect the fair market value of the entire equity interest in the Target Company. Considering the above, the asset-based approach was adopted.

LETTER FROM THE BOARD

A summary of the Valuation Report is set out in Appendix I to this circular, which includes, *inter alia*, the reasons for the adoption of the asset-based approach adopted by the Independent Valuer, the scope of the Valuation and the results of the Valuation.

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 the Independent Valuer has had the necessary qualification as members of the China Appraisal Society and the individual appraisers participated in this case (i.e. signors for the Valuation Report) have more than five (5) years of valuation-related experiences; (ii) the Independent Valuer had reviewed relevant financial information, operational information and other data relevant to the Target Company (such as the registrations, legal documents, permits and licenses) prior to its conclusion of the above appraised value; and (iii) the reasons for the adoption of the asset-based approach for the Valuation and the unsuitability of other approaches, the methodologies and assumptions adopted by the Independent Valuer which are reasonable and common for this type of valuation, the scope of the Valuation and the Valuation results, the Directors (including members of the Independent Board Committee whose views have been set out in the section headed “**Letter from the Independent Board Committee**” of this circular after taking into consideration of the advice from Independent Financial Adviser but excluding Mr. Wang Zhongwu and Ms. Li Lu who abstained from voting at the Board meeting in respect of the resolution(s) approving the Disposal due to their respective material interest in the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder), consider that the results of the Valuation reflected the value of the Sale Interest and are fair and reasonable, and that the consideration for the Sale Interest determined based on the valuation results is fair and reasonable, on normal commercial terms and in the interests of the Company 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;

LETTER FROM THE BOARD

- (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.

As at the Latest Practicable Date, save and except for the condition set out under sub-paragraph (A) above, all other Effective Conditions have been fulfilled.

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. Furthermore, with reference to the EITA and the Acquisition, the completion of the Disposal is not inter-conditional to that of the Acquisition, and the Equity Transfer Agreement are not in any way connected with the EITA (save and except that the Company is a party to both the Equity Transfer Agreement and the EITA).

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.

LETTER FROM THE BOARD

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 a 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 Latest Practicable Date 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 (audited) (RMB'000)
Revenue	23,867.37
Profit/(loss) before tax	1,938.96
Profit/(loss) after tax	1,840.79

According to the Valuation Report, the appraised net asset value of the Target Company was approximately RMB21,864,000.00 (equivalent to approximately HK\$23,765,000.00).

LETTER FROM THE BOARD

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.

With reference to the Disposal Announcement, the Company would like to clarify that there is an inadvertent clerical error and instead of an unaudited gain, the Company expects to record an unaudited loss of approximately RMB163,000.00 (equivalent to approximately HK\$177,000.00) as a result of the Disposal. Such estimation is calculated with reference to (i) the consideration of the Disposal, which is RMB21,864,000.00 (equivalent to approximately HK\$23,765,000.00); (ii) the 100% of audited carrying value of the Target Company of approximately RMB21,841,000.00 (equivalent to approximately HK\$23,740,000.00) as at the Valuation Benchmark Date; and (iii) all relevant expenses of approximately RMB186,000.00 (equivalent to approximately HK\$202,000.00) incidental to the Disposal. The actual amount will depend on the carrying value of the Group's interest in the Target Company as at completion of the Disposal.

The expected net proceeds (after deducting the relevant expenses incidental to the Disposal) of approximately RMB21,678,000.00 (equivalent to approximately HK\$23,563,000.00) to be received from the Disposal will be used 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

Brief background 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.

LETTER FROM THE BOARD

Track Record and Businesses of the Target Company

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 were categorised under the sub-segment of landscaping services, and according to the audited financial results of the Target Company from the date of its establishment up to the Valuation Benchmark Date, the revenue of the Target Company amounted to approximately RMB23.87 million (equivalent to approximately HK\$25.95 million), and in view of its gross profit amounted to approximately RMB2.27 million (equivalent to approximately HK\$2.47 million), the operational costs of the Target Company amounted to approximately RMB21.60 million (equivalent to approximately HK\$23.48 million), which reflected a relatively inefficient operation with a gross profit margin of approximately 9.49%, 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%. As at 31 December 2023, according to the management account of the Target Company, a revenue amounted to approximately RMB56.55 million (equivalent to approximately HK\$61.47 million) was recorded, and in view of its gross profit amounted to approximately RMB3.19 million (equivalent to approximately HK\$3.47 million), the operational costs of the Target Company amounted to approximately RMB53.37 million (equivalent to approximately HK\$58.01 million), reflecting a further deteriorating gross profit margin of 5.63%.

Furbishing and renovation services for residential flats and apartments are labour-intensive in nature and the growing labour costs involved therein has caused the operational efficiency to drop continuously as reflected above. Accordingly, the disposal of such businesses allows the streamlining of the Group's businesses and the commitment of the financial resources of the Group into its other existing businesses.

LETTER FROM THE BOARD

Furthermore, in view 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.

Business Prospects of the Group

Looking forward, 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 digitalisation of the operation processes. Such development requires 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 efficiency in operations, 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.

Implications with respect to the Deed of Non-Competition

Pursuant to the terms of the Deed of Non-competition dated 22 June 2022, the controlling Shareholders (including the Purchaser) has undertaken not to directly or indirectly conduct or be involved in any Restricted Businesses, or directly or indirectly hold shares or interest in any company or business that compete directly or indirectly with the businesses engaged by the Group from time to time, or conduct any Restricted Businesses.

Regarding the entry into of the Equity Transfer Agreement, the completion of the Disposal will put an end of the Group's engagement in the provision of refurbishing and renovation services for residential flats and apartments for the purpose of better resources allocation. Without such service provision upon Completion, the Group will no longer engage in such business with which any of the controlling Shareholder engages and competes, which in turn constitutes Restricted Businesses. Correspondingly, under the terms of the Deed of Non-competition, it falls within the ambit of the exception for Restricted Businesses. Taking into account of the above exception and the undertaking made under the Deed of Non-competition, the Directors (including members of the Independent Board Committee whose views have been set out in the section headed "**Letter from the Independent Board Committee**" of this circular after taking into consideration of the advice from Independent Financial Adviser but excluding Mr. Wang Zhongwu and Ms. Li Lu who abstained from voting at the Board meeting in respect of the resolution(s) approving the Disposal due to their respective material interest in the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder) consider

LETTER FROM THE BOARD

that the Deed of Non-competition continues to protect the Group against competition from the controlling Shareholders, the entry into of the Equity Transfer Agreement would not fall within the scope of the Deed of Non-competition and the Deed of Non-competition remains complied.

Conclusion

Taking into account of all factors and benefits elaborated above, the Directors (including members of the Independent Board Committee whose views have been set out in the section headed “**Letter from the Independent Board Committee**” of this circular after taking into consideration of the advice from Independent Financial Adviser but excluding Mr. Wang Zhongwu and Ms. Li Lu who abstained from voting at the Board meeting in respect of the resolution(s) approving the Disposal due to their respective material interest in the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder) consider that (a) despite a minor unaudited loss is expected to be recorded, the derived advantages as a result of the Disposal contemplated above far outweigh such loss; and (b) the Disposal (i) being in line with and beneficial to the future development of the Group; (ii) will enhance the operational efficiency of the assets of the Group, reduce operational costs, and optimise the Group’s assets structure; (iii) is on normal commercial terms; and (iv) the terms of the Equity Transfer Agreement (including the Consideration) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

With further deliberations and with reference to the Disposal Announcement, the Company would like to clarify that even though the Acquisition and the Disposal are both transactions entered into by the Company as a party to the Equity Transfer Agreement and the EITA respectively, they are not to be aggregated under the Listing Rules and the Disposal shall, on a standalone basis, be subject to the relevant requirements pursuant to Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

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 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 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.

INDEPENDENT BOARD COMMITTEE

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.

INDEPENDENT FINANCIAL ADVISER

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 resolution to be proposed for approving the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder at the EGM.

DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

NOTICE OF THE EGM

The Company will convene the EGM at 38th Floor, Block 5, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC on Friday, 19 April 2024 at 9:00 a.m. to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Any Shareholders or their respective associates with a material interest in the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder shall abstain from voting at the EGM.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save and except for the Purchaser (a wholly-owned subsidiary of Shandong Commercial) and its associates, which altogether they hold and are entitled to exercise control over 100,000,000 Domestic Shares, being approximately 75.00% of the entire issued share capital of the Company, and accordingly have material interests in the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder, 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.

Voting by poll at the EGM

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the EGM will demand a poll for each and every resolution put forward at the EGM. The Company will appoint scrutineers to handle vote-taking procedures at the EGM. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Proxy Form

A form of proxy for the EGM is enclosed. Whether or not you intend to attend the EGM (or any adjournment thereof), you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H shareholders), or to the registered office of the Company at Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC (for domestic shareholders) as soon as possible and in any event not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The register of members of H Shares of the Company will be closed from Tuesday, 16 April 2024 to Friday, 19 April 2024 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the EGM, during such period, no transfer of H Shares will be registered.

In order to determine the identity of Shareholders who are entitled to attend and vote at the EGM, all H Share transfer documents together with the relevant share certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H shareholders), not later than 4:30 p.m. on Monday, 15 April 2024.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee as set out on pages IBC-1 to IBC-2 of this circular which contains its recommendations to the Independent Shareholders on the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice received from Silverbricks Securities Company Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages IFA-1 to IFA-22 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder, the casting of votes for or against the resolution(s) approving the above, as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including members of the Independent Board Committee whose views have been set out in the section headed "**Letter from the Independent Board Committee**" of this circular after taking into consideration of the advice from Independent Financial Adviser but excluding Mr. Wang Zhongwu and Ms. Li Lu) are not aware of there being any material disadvantages with respect to the entry of the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder, and are of the view that the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and they recommend the Independent Shareholders to vote in favour of the resolution(s) at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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.

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

* *For identification purpose only*



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)

22 March 2024

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 22 March 2024 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to consider the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the aforesaid matters, and to recommend how the Independent Shareholders should vote at the EGM. Silverbricks Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 21 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder, as set out on pages IFA-1 to IFA-22 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Equity Transfer Agreement, the advice given by the Independent Financial Adviser, and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that while the Disposal and the entering into of the Equity Transfer Agreement was not in the ordinary and usual course of business of the Group, the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder are on normal commercial terms and the terms of Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee of
Lushang Life Services Co., Ltd.

Ms. LEUNG Bik San
*Independent non-executive
Director*

Ms. CHEN Xiaojing
*Independent non-executive
Director*

Mr. MA Tao
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser, Silverbricks Securities Company Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



**SILVERBRICKS SECURITIES
COMPANY LIMITED**

Unit 04-06, 10/F, Shun Tak Centre China
Merchants Tower 168-200 Connaught Road Central
Sheung Wan, Hong Kong

22 March 2024

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee and the independent shareholders of Lushang Life Services Co., Ltd (the “**Company**”) in relation to the proposed disposal of 100% equity interest in Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司), (the “**Disposal**”). Details of the Disposal are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company to the shareholders dated 22 March 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

On 27 February 2024, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With further deliberations and with reference to the Disposal Announcement, the Company would like to clarify that even though the Acquisition and the Disposal are both transactions entered into by the Company as a party to the Equity Transfer Agreement and the EITA respectively, they are not to be aggregated under the Listing Rules and the Disposal shall, on a standalone basis, be subject to the relevant requirements pursuant to Chapter 14A of the Listing Rules.

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.

The Independent Board Committee, comprising all independent non-executive Directors, namely Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao, has been established to make a recommendation to the Independent Shareholders in relation to the Equity Transfer Agreement and the Disposal. We, Silverbricks Securities Company Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard (the "Engagement").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates or connected persons and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Engagement. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider ourselves independent and eligible to give independent advice in respect of the Disposal.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Equity Transfer Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (the “**Management**”) (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group 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 opinions expressed by the Group, its management and/or advisers, which have been provided to us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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 investigation into the business and affairs or future prospects of the Group, the Company, the Purchaser, the Target Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update, revise or reaffirm this opinion to take into account events occurring after the Latest Practicable Date. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

We have not conducted any independent evaluation or appraisal of the Target Company, and we have not been furnished with any such evaluation or appraisal save for the valuation report of the net assets of the Target Company (the “**Valuation Report**”) prepared by an Independent Valuer. Since we are not experts in the valuation of assets, land and properties, we have relied solely upon the Valuation Report for the appraised asset value of the entire equity interest in Target Company as at the Valuation Benchmark Date (the “**Valuation**”).

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with respect to the Disposal, we have taken into account the principal factors and reasons set out below:

1. 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.

Set out below is a summary of the consolidated financial information on the Group for the six months ended 30 June 2022 and 2023 and the two years ended 31 December 2022 as extracted from the Company's interim report for the six months ended 30 June 2023 (the "2023 Interim Report") and annual report for the year ended 31 December 2022 (the "2022 Annual Report"), respectively:

Financial results

	For the six months		For the year ended	
	ended 30 June		31 December	
	2023	2022	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue				
– Property management services	164,858	150,146	294,099	255,485
– Value-added services to non-property owners	88,782	118,169	187,908	204,816
– Community value-added services	60,374	56,047	145,727	122,502
Profit for the year/period	30,796	40,814	78,297	77,017

According to the 2022 Annual Report and 2023 Interim Report, the Group derived its revenue from (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revenue from Property Management Services

The revenue of the property management services increased by 15.1% from RMB255.5 million for the year ended 31 December 2021 to RMB294.1 million for the year ended 31 December 2022, primarily due to the optimization of the project portfolio and strategic expansion of city services during 2022. The revenue of the property management services increased by 9.8% from RMB150.1 million for the six months ended 30 June 2022 to RMB164.9 million for the six months ended 30 June 2023, primarily due to the total GFA under management increased from approximately 23.5 million sq.m. as at 30 June 2022 to approximately 23.8 million sq.m. as at 30 June 2023, and the continuous expansion of urban sanitation projects (which were not included in the area under management in accordance with industry practice).

Revenue from Value-added Services to Non-property Owners

The revenue from value-added services to non-property owners decreased by 8.3% from RMB204.8 million for the year ended 31 December 2021 to RMB187.9 million for the year ended 31 December 2022, primarily due to the decrease in the number of projects delivered by property developers during 2022 resulting from the downturn of the real estate market, which led to the decrease in the revenue from preliminary property management services and pre-delivery services. The revenue of our value-added services to non-property owners decreased by 24.9% from RMB118.2 million for the six months ended 30 June 2022 to RMB88.8 million for the six months ended 30 June 2023, primarily due to the decrease in the number of projects delivered by property developers as a result of the downturn of the real estate market in the PRC, resulting in a decrease in revenue from preliminary property management services, pre-delivery services, design services and landscaping services.

Revenue from Community Value-added Services

The revenue of the community value-added services increased by 19.0% from RMB122.5 million for the year ended 31 December 2021 to RMB145.7 million for the year ended 31 December 2022, primarily due to the increase in gross floor area under management for residential properties and commercial properties. The revenue of our community value-added services increased by 7.7% from RMB56.0 million for the six months ended 30 June 2022 to RMB60.4 million for the six months ended 30 June 2023, primarily due to the increase in the number of users as a result of the increase in the GFA under management in respect of residential properties, and diversification of service portfolio provided to customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As depicted by the above table, the net profit of the Group for the year ended 31 December 2022 remains relatively stable as compared to the year ended 31 December 2021. The net profit of the Group for the six months ended 30 June 2023 has decreased approximately 32.5 % as compared to the six months ended 30 June 2022, primary to the decrease in revenue and gross profits from Value-added Services to Non-property Owners segment.

	For the six months		For the year ended	
	ended June 30,		December 31,	
	2023	2022	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	909,007	859,122	856,625	634,396
– Current Assets	843,409	793,067	790,570	565,575
– Non-current assets	65,598	66,055	66,055	68,821
Total liabilities	374,823	355,891	353,395	333,952
– Current liabilities	373,109	354,081	351,585	331,512
– Non-current liabilities	1,714	1,810	1810	2,440
Net Assets	534,184	503,231	503,230	300,444

The Group had total assets, total liabilities and net assets attributable to parent company of approximately RMB909 million, RMB347.8 million and RMB5.34 million as at 30 June 2023 respectively.

2. Information of Purchaser

With reference to the Board Letter, 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 a 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Information of Target Company

With reference to the Board Letter, the Target Company, a wholly-owned subsidiary of the Company as at the Latest Practicable Date 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.

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 (audited) (RMB'000)
Revenue	23,867.37
Profit/(loss) before tax	1,938.96
Profit/(loss) after tax	1,840.79

As at 31 July 2023, Target Company had an audited net asset value of approximately RMB21.84 million.

4. Reasons for and benefits of the Disposal

As discussed in section headed "1. Information on the Group" of this letter above, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Board is of the view that the revenue of the Target Company amounted to approximately RMB23.87 million (equivalent to approximately HK\$25.95 million), and in view of its gross profit amounted to approximately RMB2.27 million (equivalent to approximately HK\$2.47 million), the operational costs of the Target Company amounted to approximately RMB21.60 million (equivalent to approximately HK\$23.48 million), which reflected a relatively inefficient operation with a gross profit margin of approximately 9.49%, 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%. As at 31 December 2023, according to the management account of the Target Company, a revenue amounted to approximately RMB56.55 million (equivalent to approximately HK\$61.47 million) was recorded, and in view of its gross profit amounted to approximately RMB3.19 million (equivalent to approximately HK\$3.47 million), the operational costs of the Target Company amounted to approximately RMB53.37 million (equivalent to approximately HK\$58.01 million), reflecting a further deteriorating gross profit margin of 5.63%. And refurbishing and renovation services for residential flats and apartments are labour-intensive in nature and the growing labour costs involved therein has caused the operational efficiency to drop continuously as reflected above. Accordingly, the disposal of such business allows the streamlining of the Group's businesses and the commitment of the financial resources of the Group into its other existing businesses.

As further represented by the management of the Company, we understand that the Disposal will allow 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 digitalisation of the operation processes. Such development requires substantial capital investment. The proceeds from the Disposal in the amount of approximately RMB21,864,000.00 (equivalent to approximately HK\$23,740,000.00) 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 the view that (i) the Disposal will enhance the operational efficiency by selling the business with relatively low gross profit margin, (ii) the Disposal will allow the Group to further focus on and refine its principally-engaged businesses; (iii) the Disposal will concentrate resources to transform and enhance the Company's businesses and (iv) the proceeds from the Disposal will supplement the Company's general working capital, although the Disposal is not in the ordinary and usual course of business of the Group, we concur with the Directors that the Disposal is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Disposal

(i) The Equity Transfer Agreement

Set out below are the principal terms and conditions of the Disposal, details of which are set out in the section headed “THE EQUITY TRANSFER AGREEMENT” of the Board Letter:

Date

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

Parties to the Equity Transfer Agreement

- (i) The Company, as the Vendor;
- (ii) 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
- (iii) 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\$23,740,000.00) 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

As extracted from the Letter from the Board, the Consideration was determined after arm’s length negotiation with reference to the (i) Valuation as at the Valuation Benchmark Date as set forth in the Valuation Report, (ii) the track record of the Target Company, and (iii) other benefits to be derived by the Group from the Disposal as stipulated in the section headed “Reasons for and benefits of the Disposal” of the Board Letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Consideration shall be RMB21,864,000.00 (equivalent to approximately HK\$23,740,000.00), 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.

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.

As at the Latest Practicable Date, save and except for the condition precedent set out under sub-paragraph (A) above, all other Effective Conditions have been fulfilled.

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. Furthermore, with reference to the EITA and the Acquisition, the completion of the Disposal is not inter-conditional to that of the Acquisition, and the Equity Transfer Agreement are not in any way connected with the EITA (save and except that the Company is a party to both the Equity Transfer Agreement and the EITA).

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.

6. Evaluation of the Consideration

The Valuation

With reference to the Board Letter, the consideration was determined after arm's length negotiations between the Company and Purchaser with reference to the appraised asset value of the entire equity interest in Target Company as at the Valuation Benchmark Date as appraised by the Independent Valuer (i.e. the Valuation).

According to the Valuation Report, 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\$23,765,000.00). In preparing the Valuation Report, the Independent Valuer selected the asset-based approach to conclude the Valuation.

For due diligence purpose, we have reviewed the Valuation, sent out an information request list and held a telephone interview to discuss with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) Scope of work and qualifications of the Independent Valuer

The Independent Valuer was engaged to prepare the Valuation Report which sets out independent valuations on the market value of 100% equity interest in Target Company as at the Valuation benchmark Date. The Valuation Report has been prepared in compliance with the relevant professional standards issued by China Appraisal Society. For our due diligence purpose, we have also reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Valuation. We have discussed the expertise of the Independent Valuer with its relevant staff members. We understand that the Independent Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise and the signing persons of the Valuation Report have over 11 years' industry experience in conducting valuation exercises. We also noted that the purpose of the Valuation is to provide an opinion of value of Target Company and the Independent Valuer's engagement letter contains standard valuation scopes that are typical of company valuations carried out by Independent Valuers.

From the engagement letter and other relevant information provided by the Independent Valuer and based on our interview with them, we are satisfied with the terms of engagement of the Independent Valuer as well as their qualification and experience for preparation of the Valuation Report. The Independent Valuer have further confirmed that they are independent to the Group, Dongfang Electric and their respective associates.

(b) Valuation methodologies

As mentioned above, the Valuation was concluded based on the asset-based approach. We noted from the Valuation Report that the Valuation Report was prepared by the Independent Valuer in accordance with various requirements/standards, including 《資產評估基本準則》 (Asset Evaluation Standards — Basic Standards*) as issued by Ministry of Finance of the PRC, 《中華人民共和國資產評估法》 (Asset Appraisal Law of the PRC*) as passed by the National People's Congress of the PRC and other relevant valuation standards published by the PRC government. In particular, Asset Evaluation Standards — Basic Standards* states that, among others, (i) fundamental approaches of assets valuation method include market approach, income approach and asset-based approach; and (ii) valuer should analyse the applicability of the three fundamental valuation approaches and select the valuation method.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our discussion with the Independent Valuer, we understand that the Independent Valuer has considered these three commonly used valuation approaches for valuation of a company, namely the income approach, the market approach and the asset-based approach:

- (1) Market approach is a valuation method which determines the prices of assets by comparing such assets with comparable assets transacted in the market, whereby the value of those comparable assets transactions may be adjusted individually based on specific factors. According to the Independent Valuer, market approach has not been adopted because such adoption of the market approach to conduct valuation requires an active and open market with sufficient and accessible statistics in relation to such market in order to provide market comparable cases. There is limited availability of comparable transactions for non-listed companies. It is understandably hard to obtain market comparable as the Target Company is not a listed company and has only been established for a short period of time. Among listed companies, there are few transactions that match the Valuation in terms of business direction, asset size, and scale of operations. As such, the Independent Valuer consider the market approach to be inappropriate in the case of the Valuation.
- (2) Income approach is a valuation method which discounts the expected future revenue of the net assets into present value with specific discount rates for the purpose of determining their value. As the Independent Valuer are of the view that the Target Company has a predictable ability to continue operations and profitability in the future period, the income approach is considered applicable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (3) The asset-based approach is a valuation method which reasonably determines the value of assets and liabilities based on their respective value on the financial statements as at the valuation reference date. Both the asset-based approach and the income approach have been adopted in the Valuation Report. After analyzing and comparing the valuation results obtained by the two methods, one of the more appropriate valuation results is used as the valuation conclusion. The Independent Valuer consider that the appraisal results of the asset-based approach can reflect the fair value of the Target Company. The Target Company is primarily engaged in the refurbishing and renovation of residential flats and apartments. Although the income approach could, to a certain extent, reflect the Target Company's prospective value, it cannot factor in the uncertainties, financial policies, the impact of the policies of the industry in which the Target Company operates. The result is, to a large extent, subject to the profitability, asset quality, operational performance and operational risks of the Target Company in the future while tax and other policy orientations have a significant impact on the Target Company. Based on the historical data, it is noted that the Target Company has only been incorporated recently on 16 January 2023. It is expected that the global economy was still struggling to recover albeit the end of the COVID-19 pandemic owing to the global trade and political tensions, resulting in greater uncertainty in its future revenue. Therefore, considering that the business and future revenue of the Target Company are affected by the above externalities, its operating results and the operational risks are subject to greater uncertainty, the income approach is unable to reasonably reflect the value of the Target Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (4) The asset-based approach reflects the fair market value of the assets from an asset replacement perspective. The valuation takes the replacement cost of assets as the value standard, reflecting the fair market value of the entire equity interest in the Target Company from the perspective of asset replacement, which was determined based on the balance sheet of the Target Company as at the Valuation Benchmark Date by assessing the value of each of the identifiable assets and liabilities including current assets (such as cash and cash equivalents, account receivables and contractual assets) and deferred tax asset. As the Independent Valuer has obtained the assets and liabilities related information from Target Company and the required information for the asset-based approach from external source, the Independent Valuer is able to perform comprehensive verification and assessment on the assets and liabilities of Target Company as at the Valuation Benchmark Date. The Independent Valuer are of the opinion that the valuation result under the asset-based approach can objectively reflect the value of the Target Company. Hence, the valuation result under the asset-based approach was selected by the Independent Valuer as the valuation conclusion.

Having considered (i) that the Valuation Report was prepared by the Independent Valuer in accordance with various requirements/standards; and (ii) the shortcomings of the market approach and income approach as explained by the Independent Valuer, we concur with the Independent Valuer on the adoption of asset-based approach to conclude the Valuation is suitable.

(c) *Valuation assumptions*

We have reviewed the Valuation Report and discussed with the Independent Valuer in respect of the key assumptions adopted for performing the Valuation. We understand from the Independent Valuer that the assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted during the Valuation. We also consider the assumptions adopted in the Valuation Report are general in nature and are not aware of any material facts which lead us to doubt the assumptions adopted by the Independent Valuer.

As regards the assumptions adopted for the Valuation, we have studied the valuation reports using asset-based approach published by other listed issuers on the Stock Exchange web-site (www.hkex.com.hk) and noted that the assumptions adopted for the Valuation are largely common in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(d) Details of valuation

In arriving at the Valuation, the Independent Valuer categorised the assets and liabilities of Target Company into different categories. Based on the Valuation Report and our discussion with the Independent Valuer, in determining the valuation of the assets and liabilities of Target Company, the Independent Valuer has considered the applicable valuation methodologies taking into account the nature of the subject assets/liabilities in accordance with the relevant valuation requirements/standards, such as 《資產評估執業準則－企業價值》 (Practice Standards for Assets Appraisal — Enterprise Value*) which sets out, among others, the factors to be considered when performing asset-based approach valuation.

As confirmed by the Independent Valuer, the appraisal methodologies of assets and liabilities are consistent with normal market practice. We have also enquired the Independent Valuer the details of asset-based approach valuation, including the basis of appraising different categories of assets and liabilities and the reasons for difference between the book value and appraised value. During our discussion with the Independent Valuer, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the asset-based approach valuation. The appraisals of the assets and liabilities of Target Company are summarised below:

(i) Current assets

The book value and appraised value of Target Company's current assets were approximately RMB36.77 million and RMB36.79 million respectively as at the Valuation Benchmark Date. The increase in appraised value of current assets as compared to the book value was primarily due to the increase in appraised value of contract assets and accounts receivables as the provision for bad debts of contract assets and accounts receivable, which was accrued as of the evaluation reference date, is appraised as RMB0.

In relation to the trade receivables, the Independent Valuer verified the existence and assessed the recoverability of the receivables, the reasons for overdue payment, in order to arrive at the value of the trade receivables. We understood from the Independent Valuer that the fair value of the trade receivables depends on the likelihood of such balances to be recovered by Target Company and the amount that is expected to be recovered.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Non-current assets

The book value and appraised value of Target Company's non-current assets were approximately RMB1,200 and RMB0 respectively as at the Valuation Benchmark Date. The decrease in appraised value of non-current assets as compared to the book value was primarily due to the decrease in appraised value of deferred tax asset.

(iii) Current liabilities

The book value of Target Company's current liabilities was the same as the appraised value, being approximately RMB14.93 million as at the Valuation Benchmark Date.

(iv) Non-current liabilities

The book value of Target Company's current liabilities was the same as the appraised value, being RMB0 as at the Valuation Benchmark Date.

(e) *Conclusion*

After our review of the Valuation, enquiry and discussion with the Independent Valuer regarding the basis and assumptions of the Valuation, we have not found any material facts which may lead us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Valuation. Nevertheless, Shareholders should note that valuation of assets usually involves assumptions and thus the Valuation may or may not reflect the value of the net assets of the Target Company accurately.

Trading multiples analysis

We have further endeavoured to apply the trading multiples analysis to assess the fairness and reasonableness of the Consideration: The trading multiples analysis, comprising the price to earnings ratio ("PER") and the price to book ratio ("PBR"), is a commonly used analysis for pricing. To perform such analysis, we have searched for companies listed on the main board of the Stock Exchange which have reported profits in the recent financial year and are engaged in the same sector as the Target Company, i.e. the fitting-out services business, and derive a majority (i.e. over 80%) of their revenue from such principal business (the "Criteria").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To the best of our knowledge and endeavour, we found four companies which meet the Criteria (the “**Comparable Companies**”). We noted that the the operation locations of the Target Company do not precisely match those of the Comparable Companies. Given that (i) the business operations of the Comparable Companies are mainly in PRC area, including Hong Kong and Macau, and (ii) the business operations of the Target Company are engaged in PRC, we consider that the cultural, geographical, and business environmental similarities between these areas do not significantly impact the our analysis. As such, we are of the view that our selection criteria to include the Comparable Companies which operate in Hong Kong, Macau and PRC to be fair and reasonable for the purpose of our analysis. It should be noted that the business operations and prospects of the Target Company are not exactly the same as the Comparable Companies and we have not conducted any in-depth investigation into the business operations and prospects of the Comparable Companies. Set out below are our relevant findings:

Company name (Stock code)	Principal business	Business engaged in	PER (times) (Note 1)	PBR (times) (Note 2)
Superland Group Holdings Limited (368.HK)	Provision of fitting-out services	Hong Kong	8.98	N/A (Note 3)
Sundart Holdings Limited (1568.HK)	Provision of fitting-out works	PRC, Singapore and Hong Kong	3.49	0.31
ISP Holdings Limited, (formerly Synergis Holdings Limited) (2340.HK)	Provision of property and facility management services, in the interior business, and others.	Hong Kong and PRC	0.23	0.51
Space Group Holdings Limited (2448.HK)	Provision of the fitting-out works and provision of financial services	Hong Kong and Macau	2.45	0.08
	Maximum		8.98	0.51
	Minimum		0.23	0.08
	Average		3.79	0.30

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (Stock code)	Principal business	Business engaged in	PER <i>(times)</i> <i>(Note 1)</i>	PBR <i>(times)</i> <i>(Note 2)</i>
The Target Company	Provision of the interior renovation and furnishing for residential flats and apartments, construction works, subcontracting of construction projects, and the design for and the monitoring over construction works.	PRC	6.35 <i>(Note 4)</i>	1.00 <i>(Note 5)</i>

Source: the web-site of the Stock Exchange (www.hkex.com.hk)

Notes:

- (1) The PER is calculated based on the respective closing price of the shares of the Comparable Companies on the Stock Exchange as at 27 February 2024 (being the date of the Equity Transfer Agreement) and their respective audited net profit for the latest financial year as extracted from their published financial information.
- (2) The PBR is calculated based on the respective closing price of the shares of the Comparable Companies on the Stock Exchange as at 27 February 2024 (being the date of the Equity Transfer Agreement) and their respective audited net asset value as extracted from their latest published financial information.
- (3) The Comparable Company was in net liabilities position as at the latest financial year.
- (4) The implied PER for the Disposal is calculated based on the Consideration and the annualized audited net profit of the Target Company for the period from its establishment on 16 January 2023 till 31 July 2023.
- (5) The implied PBR for the Disposal is calculated based on the Consideration and the audited net asset value of the Target Company as at 31 July 2023.

As depicted in the above table, the implied PER for the Disposal of approximately 6.35 times is higher than the average PERs of 3.79 times of the Comparable Companies. As for PBR, one of the Comparable Company was in net liabilities position as at the latest financial year. Given that the average PBRs of the Comparable Companies is approximately 0.30 times, the implied PBR for the Disposal of approximately 1.00 times is also higher than the market average.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Evaluation of the consideration

Taking into account that (i) the Consideration of RMB21,864,000.00 (equivalent to approximately HK\$23,740,000.00) representing the same as the Valuation; (ii) both the implied PER and implied PBR for the Disposal are higher than the average of the market ranges; and (iii) as concluded in the section headed “Reasons for the Disposal” of this letter of advice, the Disposal is the interests of the Company and the Shareholders as a whole, we are of the opinion that the Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

7. Financial effects of the Disposal and use of proceeds

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.

With reference to the Disposal Announcement, the Company would like to clarify that there is an inadvertent clerical error and instead of an unaudited gain, the Company expects to record an unaudited loss of approximately RMB163,000.00 (equivalent to approximately HK\$177,000.00) as a result of the Disposal. Such estimation is calculated with reference to (i) the consideration of the Disposal, which is RMB21,864,000.00 (equivalent to approximately HK\$23,765,000.00); (ii) the 100% of audited carrying value of the Target Company of approximately RMB21,841,000.00 (equivalent to approximately HK\$23,740,000.00) as at the Valuation Benchmark Date; and (iii) all relevant expenses of approximately RMB186,000.00 (equivalent to approximately HK\$202,000.00) incidental to the Disposal. The actual amount will depend on the carrying value of the Group’s interest in the Target Company as at completion of the Disposal.

The expected net proceeds (after deducting the relevant expenses incidental to the Disposal) of approximately RMB21,678,000.00 (equivalent to approximately HK\$23,563,000.00) to be received from the Disposal will be used 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Disposal.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that (i) the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable; and (ii) although the Disposal is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreement.

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing
Co-head of Corporate Finance

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Chan Wai Fung
Head of Corporate Finance

Note: Mr. Yau Tung Shing and Mr. Chan Wai Fung are licensed individuals under the SFO, authorized to conduct Type 6 (advising on corporate finance) regulated activities in accordance with the SFO and regarded as responsible officer of Silverbricks Securities Company Limited. Mr. Yau Tung Shing and Mr. Chan Wai Fung have over 7 and 5 years of experience in corporate finance industry, respectively.

For the purposes of this letter, unless the context requires otherwise, 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.

Certain amounts and percentage figures set out in this letter have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables, the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

* *For identification purpose only*

The following is a summary of the English translation of the Valuation Report issued by the Independent Valuer in connection with its valuation of the Target Company as at 31 July 2023 for the purpose of, among others, inclusion in this circular. The Chinese text of the Valuation Report shall prevail over the English text in the event of inconsistency.

**This report is prepared in accordance with the Chinese Valuation Standards
(中國資產評估準則)**

**VALUATION REPORT ON THE ENTIRE EQUITY OF
SHAREHOLDERS OF SHANDONG HUIBANGDA FURBISHING
ENGINEERING CO., LTD.* (山東省匯邦達裝飾工程有限公司) IN
RELATION TO THE PROPOSED TRANSFER OF 100% OF
THE EQUITY INTEREST IN SHANDONG HUIBANGDA
FURBISHING ENGINEERING CO., LTD.*
(山東省匯邦達裝飾工程有限公司) BY
LUSHANG LIFE SERVICES CO., LTD.
(魯商生活服務股份有限公司)**

ZhongQiHuaPingBaoZi (2023) No. 6592
(Book 1 of 1)

Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司)
5 January 2024

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STATEMENT

- I. This valuation report is prepared in accordance with the Basic Standards for Valuation (資產評估基本準則) issued by the Ministry of Finance and the Practicing Standards and Code of Professional Ethics for Valuation (資產評估執業準則和職業道德準則) issued by the China Appraisal Society.
- II. Our firm and our valuers have complied with the laws, administrative regulations and valuation standards, and abided by the principles of independence, objectivity and impartiality, and accept the legal responsibilities for the valuation report issued by them.
- III. Our client or other users of the valuation report shall use the valuation report in accordance with the laws, administrative regulations and the scope of application set out in the valuation report. If our client or other users of the valuation report are in breach of the above regulations in relation to the use of the valuation report, our firm and our valuers shall not bear the responsibilities.

This valuation report shall only be used by our client, other users of the valuation report specified in the valuation engagement contract, and users of the valuation report pursuant to the laws and administrative regulations. Save for the above, the valuation report shall not be used by any other institution or individual.

Our firm and our valuers hereby remind users of the valuation report that they should properly understand and use the valuation conclusion, and that the valuation conclusion are not equivalent to and should not be treated as a guarantee for the realizable value of the valuation subject.

- IV. The list of assets and liabilities of the valuation subject and the forecast of the corporate's operation were declared by our client and the appraised entity and were confirmed by them under their hands, seals or other ways as permitted under the laws. Our client and other relevant parties shall be liable for the authenticity, completeness and legitimacy of the information provided by them.
- V. Our valuers have carried out on-site inspection on, attached necessary attention to the legal title of, and verified the legal title information of the valuation subject and its assets involved. They have made proper disclosure in respect of the issues identified, and requested our client and other relevant parties to consummate the title in order to fulfill the requirements for the issuance of the valuation report.

- VI. Our firm and our valuers have no existing or expected interest in the valuation subject as referred to in the valuation report, nor with the relevant parties, and have no bias against the relevant parties.
- VII. The analysis, judgments and results in the valuation report issued by our firm are subject to the assumptions and limitations set out in the valuation report. Users of the valuation report shall take into full account of the assumptions, limitations, notes on special matters and their impact on the valuation conclusion as stipulated in the valuation report.

SUMMARY OF THE VALUATION REPORT

Important

The contents of this summary are derived from the full text of the valuation report. To understand the details of the valuation engagement and to reasonably understand and use the valuation conclusion, you should read the full text of the valuation report carefully.

To Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司):

Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司) has been engaged by you to appraise the market value of the entire equity of shareholders of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) as of the valuation benchmark date in accordance with the laws, administrative regulations and valuation standards and in line with the principles of independence, objectivity and impartiality. The summary of the valuation report is set out below:

Purpose of valuation:	As a result of the proposed transfer of 100% of the equity interest in Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) by Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司), there is a need to value the entire equity of shareholders of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) as of the valuation benchmark date in relation to such economic transaction, in order to provide a reference for the value of such economic transaction.
Valuation subject:	The entire equity of shareholders of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司).
Scope of valuation:	All of the assets and liabilities of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司).

As of the valuation benchmark date, within the scope of valuation, assets were comprised of current assets and deferred income tax assets with a total book value of RMB36,775,000; liabilities were comprised of current liabilities with a total book value of RMB14,934,300; and the book value of net assets was RMB21,840,700.

Valuation benchmark date:	31 July 2023
Type of value:	Market value

Valuation approaches: Asset-based approach and income approach

Valuation conclusion: For this valuation report, the valuation results under the asset-based approach has been adopted as the valuation conclusion. The details of the valuation conclusion are as follows:

As of the valuation benchmark date, the book value and appraised value of the total assets of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) were RMB36,775,000 and RMB36,798,300, respectively, representing an appreciation of RMB23,300 or an appreciation rate of 0.06%; the book value and appraised value of the total liabilities were RMB14,934,300 and RMB14,934,300, respectively, with no appreciation or depreciation; and the book value and appraised value of the net assets were RMB21,840,700 and RMB21,864,000, respectively, representing an appreciation of RMB23,300 or an appreciation rate of 0.11%.

The details of the valuation results are set out in the summary table of valuation results below:

Summary table of valuation results under the asset-based approach

Unit: RMB'0,000

Item		Book value A	Appraised value B	Appreciation/ Depreciation	
				in value C=B-A	Appreciation rate (%) D=C/A×100%
I. Current assets	1	3,677.38	3,679.83	2.45	0.07
II. Non-current assets	2	0.12	0.00	-0.12	-100.00
Of which: Long-term equity investment	3	0.00	0.00	0.00	0.00
Investment properties	4	0.00	0.00	0.00	0.00
Fixed assets	5	0.00	0.00	0.00	0.00
Construction in progress	6	0.00	0.00	0.00	0.00
Oil and gas assets	7	0.00	0.00	0.00	0.00
Intangible assets	8	0.00	0.00	0.00	0.00
Of which: Land use rights	9	0.00	0.00	0.00	0.00
Other non-current assets	10	0.12	0.00	-0.12	-100.00
Total assets	11	3,677.50	3,679.83	2.33	0.06
III. Current liabilities	12	1,493.43	1,493.43	0.00	0.00
IV. Non-current liabilities	13	0.00	0.00	0.00	0.00
Total liabilities	14	1,493.43	1,493.43	0.00	0.00
Net assets	15	2,184.07	2,186.40	2.33	0.11

The purpose of this valuation report is to provide a reference for the value of the economic transaction as described in the valuation report only, and the valuation conclusion shall be valid for one year from the valuation benchmark date.

Users of the valuation report shall take into full account of the assumptions, limitations, notes on special matters and their impact on the valuation conclusion as stipulated in the valuation report.

The above contents are derived from the full text of the valuation report. To understand the details of the valuation engagement and to reasonably understand and use the valuation conclusion, you should read the full text of the valuation report carefully.

FULL TEXT OF THE VALUATION REPORT ON THE ENTIRE EQUITY OF SHAREHOLDERS OF SHANDONG HUIBANGDA FURBISHING ENGINEERING CO., LTD.* (山東省匯邦達裝飾工程有限公司) IN RELATION TO THE PROPOSED TRANSFER OF 100% OF THE EQUITY INTEREST IN SHANDONG HUIBANGDA FURBISHING ENGINEERING CO., LTD.* (山東省匯邦達裝飾工程有限公司) BY LUSHANG LIFE SERVICES CO., LTD. (魯商生活服務股份有限公司)

To Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司):

Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司) has been engaged by you to appraise, under the asset-based approach and income approach through necessary valuation procedures, the market value of the entire equity of shareholders of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) as of the valuation benchmark date in relation to the proposed transfer of 100% of the equity interest in Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) by Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司) in accordance with the laws, administrative regulations and valuation standards and in line with the principles of independence, objectivity and impartiality. The valuation report is set out below:

I. CLIENT, APPRAISED ENTITY AND OTHER USERS OF THE VALUATION REPORT SPECIFIED IN THE VALUATION ENGAGEMENT CONTRACT

For this valuation, the client is Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司); the appraised entity is Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司); and other users of the valuation report specified in the valuation engagement contract are the users of the valuation report stipulated under PRC laws and regulations.

(I) Basic information of our client

Company name:	Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司)
Stock abbreviation:	Lushang Services
Stock code:	02376
Address:	Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong Province
Legal representative:	Wang Zhongwu (王忠武)
Registered capital:	RMB133,340,000

Type:	Other joint stock limited company (Listed)
Unified Social Credit Code:	913701027806467687
Date of establishment:	24 March 2006
Term of business:	Commencing from 24 March 2006 with no fixed term
Scope of business:	Permitted businesses: urban domestic waste business services; sewage treatment and recycling; tourism business; sports venue facility operation (excluding high-risk sports); high-risk sports (swimming); residential interior decoration; food business; Internet sales of food; sales of health food; alcohol business; road cargo transportation (excluding dangerous goods); kitchen waste treatment; and catering services (businesses that require approval according to the laws may only be carried out upon approval by the relevant authorities, and the specific businesses shall be subject to the approval documents or licences issued by the relevant authorities). General businesses: property management; human resources services (excluding employment agency activities and labor dispatch services); parking lot services; real estate consulting; real estate agency; property leasing; non-residential real estate leasing; commercial complex management services; urban greening management; urban and rural appearance management; urban park management; entity logistics management services; highway management and maintenance; landscaping project construction; municipal facilities management; conference and exhibition services; building cleaning services; housekeeping services; health consulting services (excluding diagnosis and treatment services); professional cleaning, washing and disinfection services; general equipment repair; furniture installation and repair services; computers and office equipment maintenance; car wash services; elderly care services; etiquette services; take-out delivery services;

information consulting services (excluding licensing information consulting services); information technology consulting services; recycling of renewable resources (except for productive scrap metal) branch operations; sales of renewable resources branch operations; rural domestic waste operational services; water pollution control; off-campus care taking services for primary and secondary school students; business agency services; office equipment rental services; sales agency; flower and green plant rental and agency management; Internet sales (except for the sales of goods that require a licence); sales of building materials; sales of lightweight building materials; sales of daily necessities; sales of general merchandise; retail of fresh vegetables; retail of fresh fruits; retail of edible agricultural products; retail of cosmetics; retail of fresh meat; retail of aquatic products; retail of fresh eggs; sales of household audio-visual equipment; sales of unprocessed nuts and dried fruits; sales of household appliances spare parts; advertising production; advertising distribution (non-radio stations, TV stations and newspapers publishing units); and advertising design and agency (except for businesses that require approval according to the laws, business activities can be carried out independently with a business licence according to the laws).

(II) Basic information of the appraised entity

1. Overview of the company

Company name:	Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) (hereinafter referred to as “HuiBangDa”)
Address:	Room 4010, Block 5, Lushang Guo’ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong Province
Legal representative:	Yang Yuanyi (楊元義)
Registered capital:	RMB20,000,000
Type:	Limited liability company (a sole proprietorship that is not invested or controlled by a natural person)

Unified Social Credit Code:	91370102MAC6LU5B2F
Date of establishment:	16 January 2023
Term of business:	Commencing from 16 January 2023 with no fixed term
Scope of business:	Permitted businesses: residential interior decoration; construction project construction; construction labor subcontracting; construction professional operations; construction project design; and construction project supervision (businesses that require approval according to the laws may only be carried out upon approval by the relevant authorities, and the specific businesses shall be subject to the approval documents or licences issued by the relevant authorities). General businesses: professional design services; landscaping project construction; urban greening management; earthwork projects construction; building cleaning services; sales of digital video surveillance systems; security system monitoring services; labor services (excluding labor dispatch); house demolition services; graphic design; advertising design and agency; advertising production; marketing planning; sales of metal materials; sales of metal structures; glass manufacturing; sales of optical glass; sales of building materials; sales of building decoration materials; retail of hardware products; leasing of machinery and equipment; leasing of construction machinery and equipment; project management services; sales of furniture spare parts; sales of furniture; sales of daily necessities; sales of lamps; sales of general merchandise; sales of knitted textiles; and sales of arts and crafts and etiquette supplies (except for ivory and its products) (except for businesses that require approval according to the laws, business activities can be carried out independently with a business licence according to the laws).

2. Shareholders and their shareholding and changes in equity

Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) was established on 16 January 2023 with a registered capital of RMB20,000,000 at the time of establishment. Its establishment was funded by Shandong Lushang Architectural Design Co., Ltd.* (山東省魯商建築設計有限公司) in the form of monetary investment. The shareholding structure of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) at the time of establishment was as follows:

Name of shareholder	Subscribed capital contribution (RMB'0,000)	Percentage of subscribed capital contribution	Paid-in capital contribution (RMB'0,000)	Percentage of paid-in capital contribution
Shandong Lushang Architectural Design Co., Ltd.* (山東省魯商建築設計有限公司)	2,000.00	100.00%	2,000.00	100.00%
Total	2,000.00	100.00%	2,000.00	100.00%

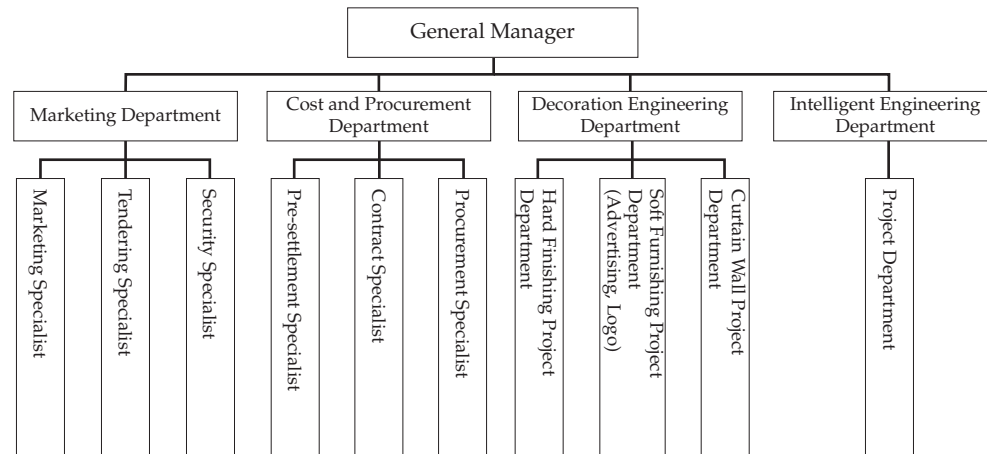
On 5 July 2023, according to the decision of the shareholder and the Equity Transfer Agreement, the shareholder, i.e. Shandong Lushang Architectural Design Co., Ltd.* (山東省魯商建築設計有限公司), transferred all of the equity interest it held to Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司), and the transfer price was determined based on the approved book value of net assets as of 28 February 2023. The shareholding structure upon such change is as follows:

Name of shareholder	Subscribed capital contribution (RMB'0,000)	Percentage of subscribed capital contribution	Paid-in capital contribution (RMB'0,000)	Percentage of paid-in capital contribution
Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司)	2,000.00	100.00%	2,000.00	100.00%
Total	2,000.00	100.00%	2,000.00	100.00%

As of the valuation benchmark date, there was no change in the shareholding structure and paid-in capital contribution of shareholders of the appraised entity.

3. *Property rights and operational management structure of the company*

As of the valuation benchmark date, the organizational chart of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) was as follows:



4. *Assets, financial position and operating condition of the company as of the valuation benchmark date*

The financial position of the appraised entity as of the valuation benchmark date was as follows:

Unit: RMB'0,000

Item	31 July 2023
Total assets	3,677.50
Total liabilities	1,493.43
Owners' equity	2,184.07

The operating condition of the appraised entity as of the valuation benchmark date was as follows:

Unit: RMB'0,000

Item	January – July 2023
Operating income	2,386.74
Total profit	193.90
Net profit	184.08

The financial statements of the appraised entity as of the valuation benchmark date have been audited by Dahua Certified Public Accountants (Special General Partnership), Shandong Branch, which has issued an unqualified opinion.

5. *Qualification certificates of the company*

The appraised entity has obtained the Production Safety Licence (certificate number: (Lu) JZ AnXuZhengZi [2023] 011461 ((魯)JZ安許證字[2023]011461)), which is valid from 12 July 2023 until 11 July 2026; and the Construction Enterprise Qualification Certificate (certificate number: D237912869) (Level I professional contracting of building finishing and decoration engineering, and Level II professional contracting of electronics and intelligent engineering), which is valid until 6 January 2027.

6. *Relationship between our client and the appraised entity*

Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) is a wholly-owned subsidiary of Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司).

Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司) has proposed to transfer 100% of the equity interest in Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司).

(III) Other users of the valuation report specified in the valuation engagement contract

This valuation report is only for use by our client and users of the valuation report as stipulated by PRC laws and regulations, and may not be used or relied on by any third party.

II. PURPOSE OF VALUATION

As a result of the proposed transfer of 100% of the equity interest in Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) by Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司), there is a need to value the entire equity of shareholders of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) as of the valuation benchmark date in relation to such economic transaction, in order to provide a reference for the value of such economic transaction.

Regarding such matter, Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司) issued the Minutes of the General Manager's Office Meeting (《總經理辦公會會議紀要》) ([2023] No. 19-1) on 20 November 2023.

III. SUBJECT AND SCOPE OF VALUATION

(I) Valuation subject

The valuation subject is the entire equity of shareholders of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司).

(II) Scope of valuation

The scope of valuation is all of the assets and liabilities of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司). As of the valuation benchmark date, within the scope of valuation, assets were comprised of current assets and deferred income tax assets with a total book value of RMB36,775,000; liabilities were comprised of current liabilities with a total book value of RMB14,934,300; and the book value of net assets was RMB21,840,700.

The valuation subject and scope of valuation under the engagement are consistent with those in relation to the economic transaction. As of the valuation benchmark date, the book values of assets and liabilities within the scope of valuation have been audited by Dahua Certified Public Accountants (Special General Partnership), Shandong Branch, which has issued an unqualified opinion.

(III) The major assets within the scope of valuation are as follows:

The major assets declared by the company and included in the scope of valuation are current assets and deferred income tax assets. Of which, current assets specifically include: cash and cash equivalents, notes receivable, accounts receivable, other receivables and contract assets. The types and characteristics of the major assets are as follows:

1. The cash and cash equivalents included in the scope of valuation are bank deposits, and the accounted items are the RMB deposits at Qilu Bank Co., Ltd., Jinan Liuhang Branch and Shandong Commercial Group Finance Co., Ltd.* (山東省商業集團財務有限公司).
2. The accounted items of notes receivable are the commercial bills (in particular, commercial acceptance bills) received by the appraised entity for the provision of engineering services.
3. The accounted items of accounts receivable are the project payments receivable by the appraised entity.
4. The accounted items of other receivables are current accounts receivable, deposits, etc.

5. The accounted items of contract assets are the project payments receivable by the appraised entity for business activities such as provision of engineering services.
6. The accounted item of deferred income tax assets is the impact of temporary difference on corporate income tax due to the bad debt provision made by the appraised entity.

(IV) Intangible assets declared by the company

The assets declared by the company and included in the scope of valuation do not include intangible assets.

(V) Other off-balance sheet assets declared by the company

The assets declared by the company are all on-balance sheet assets.

(VI) Relevant assets involved when citing report conclusions of other institutions

No report of other institutions were cited in this valuation report.

IV. TYPE OF VALUE

(I) Type of value and its definition

Based on the purpose of this valuation, the market condition, the condition of the valuation subject and other factors, the type of value of the valuation subject is determined to be market value.

Market value is the estimated value of the valuation subject in an arm's-length transaction on the valuation benchmark date between a willing buyer and a willing seller wherein the parties have each acted rationally and not by compulsion.

(II) Reasons for selecting this type of value

This valuation provides a reference for the value in relation to the proposed transfer of 100% of the equity interest in Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) by Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司). All parties using the valuation report require the valuation results to be fair and impartial, and will use the valuation conclusion of this report rationally and not by compulsion. In line with the purpose of valuation, the market condition on which the valuation is based and the scope of application of the valuation conclusion, market value has been selected as the type of value for this valuation.

V. VALUATION BENCHMARK DATE

The valuation benchmark date for this report is 31 July 2023.

The valuation benchmark date is determined by our client. The determination of the valuation benchmark date has mainly taken into account the realization of economic transaction, the end of the accounting period and other factors. Valuation provides a reference for the value of assets at a certain point of time, and selecting the end of the accounting period as the valuation benchmark date can fully reflect the general condition of the assets of the valuation subject. At the same time, in order to ensure that the valuation results can effectively serve the purpose of valuation, to delineate the scope of valuation precisely, to check and verify assets accurately and efficiently, and to select the basis for valuation and pricing reasonably, a date closer to the implementation date of the relevant economic transaction plan has been selected as the valuation benchmark date.

VI. BASIS FOR VALUATION**(I) Basis in respect of economic transaction**

The Minutes of the General Manager's Office Meeting (《總經理辦公會會議紀要》) ([2023] No. 19-1) issued by Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司) on 20 November 2023.

(II) Basis in respect of laws and regulations

1. The Asset Appraisal Law of the People's Republic of China (《中華人民共和國資產評估法》) (adopted at the Twenty-first Session of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. The Company Law of the People's Republic of China (《中華人民共和國公司法》) (fourth revision adopted at the Sixth Session of the Standing Committee of the Thirteenth National People's Congress on 26 October 2018);
3. The Civil Code of the People's Republic of China (《中華人民共和國民法典》) (adopted at the Third Session of the Thirteenth National People's Congress on 28 May 2020);
4. The Measures for the Financial Supervision and Administration of the Asset Appraisal Industry (《資產評估行業財政監督管理辦法》) (issued under Decree No. 86 of the Ministry of Finance, and revised under Decree No. 97 of the Ministry of Finance);
5. The Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (second revision adopted at the Seventh Session of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);

6. The Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (revised under Decree No. 714 of the State Council of the People's Republic of China on 23 April 2019);
7. The Law of the People's Republic of China on the State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (adopted at the Fifth Session of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
8. The Interim Regulation on the Supervision and Administration of the State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (issued under Decree No. 378 of the State Council, and revised under Decrees No. 588 and No. 709 of the State Council);
9. The Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises (《企業國有資產交易監督管理辦法》) (issued under Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance);
10. The Administrative Measures for the Assessment of State-owned Assets (《國有資產評估管理辦法》) (issued under Decree No. 91 of the State Council, and revised under Decree No. 732 of the State Council on 29 November 2020);
11. The Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (《企業國有資產評估管理暫行辦法》) (issued under Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
12. The Notice on Issues Related to the Strengthening of the Administration of Assessment of State-owned Assets (《關於加強企業國有資產評估管理工作有關問題的通知》) (GuoZiWeiChanQuan [2006] No. 274);
13. The Notice on Matters Related to the Review of Assessment Reports of State-owned Assets of Enterprises (《關於企業國有資產評估報告審核工作有關事項的通知》) (GuoZiChanQuan [2009] No. 941);
14. The Guidelines for the Filing for Recordation of the Assessment Projects of State-owned Assets of Enterprises (《企業國有資產評估項目備案工作指引》) (GuoZiFaChanQuan) [2013] No. 64);

15. The Accounting Standards for Business Enterprises – Basic Standards (《企業會計準則—基本準則》) (issued under Decree No. 33 of the Ministry of Finance), and the Decision of the Ministry of Finance on the Amendment of the Accounting Standards for Business Enterprises – Basic Standards (《財政部關於修改〈企業會計準則—基本準則〉的決定》) (issued under Decree No. 76 of the Ministry of Finance);
16. The Interim Regulations of the People’s Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) (issued under Decree No. 538 of the State Council, and revised under Decrees No. 666 and No. 691 of the State Council);
17. The Rules for the Implementation of the Interim Regulations of the People’s Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) (issued under Decree No. 50 of the Ministry of Finance and the State Taxation Administration, and revised under Decree No. 65 of the Ministry of Finance and the State Taxation Administration);
18. The Announcement of the Ministry of Finance, State Taxation Administration and General Administration of Customs on Policies Related to the Deepening of Value-added Tax Reform (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》) (Announcement No. 39, 2019, of the Ministry of Finance, State Taxation Administration and General Administration of Customs);
19. The Notice of the Ministry of Finance and State Taxation Administration on the Adjustment of Value-added Tax Rate (《財政部稅務總局關於調整增值稅稅率的通知》) (CaiShui [2018] No. 32);
20. The Notice on Further Regulating the Work Concerning Bank Confirmations and Responses to Bank Confirmation Requests (《關於進一步規範銀行函證及回函工作的通知》) (CaiKuai [2020] No. 12);
21. Other relevant laws, regulations, notification documents, etc.

(III) Basis in respect of valuation standards

1. The Basic Standards for Asset Appraisal (《資產評估基本準則》) (CaiZi [2017] No. 43);
2. The Professional Code of Ethics for Asset Appraisal (《資產評估職業道德準則》) (China Appraisal Society [2017] No. 30);

3. The Practice Standards for Asset Appraisal – Asset Appraisal Report (《資產評估執業準則—資產評估報告》) (China Appraisal Society [2018] No. 35);
4. The Practice Standards for Asset Appraisal – Asset Appraisal Approaches (《資產評估執業準則—資產評估方法》) (China Appraisal Society [2019] No. 35);
5. The Practice Standards for Asset Appraisal – Asset Appraisal Procedures (《資產評估執業準則—資產評估程序》) (China Appraisal Society [2018] No. 36);
6. The Practice Standards for Asset Appraisal – Asset Appraisal Engagement Contract (《資產評估執業準則—資產評估委託合同》) (China Appraisal Society [2017] No. 33);
7. The Practice Standards for Asset Appraisal – Asset Appraisal Archives (《資產評估執業準則—資產評估檔案》) (China Appraisal Society [2018] No. 37);
8. The Practice Standards for Asset Appraisal – Utilization of Expert Work and Related Reports (《資產評估執業準則—利用專家工作及相關報告》) (China Appraisal Society [2017] No. 35);
9. The Practice Standards for Asset Appraisal – Value of Enterprises (《資產評估執業準則—企業價值》) (China Appraisal Society [2018] No. 38);
10. The Guidelines for Appraisal Reports on State-owned Assets of Enterprises (《企業國有資產評估報告指南》) (China Appraisal Society [2017] No. 42);
11. The Guidelines for Business Quality Control of Asset Appraisal Agencies (《資產評估機構業務質量控制指南》) (China Appraisal Society [2017] No. 46);
12. The Guiding Opinions on the Types of Value in Asset Appraisal (《資產評估價值類型指導意見》) (China Appraisal Society [2017] No. 47);
13. The Guiding Opinions on the Legal Title of Asset Appraisal Subjects (《資產評估對象法律權屬指導意見》) (China Appraisal Society [2017] No. 48);
14. Terms of Asset Appraisal Standards 2020 (《資產評估準則術語2020》) (China Appraisal Society [2020] No. 31).

(IV) Basis in respect of pricing

1. Financial statements and audit reports of previous years provided by the appraised entity;
2. Current and future annual market forecast information for major products provided by the appraised entity;
3. Business contracts entered into between the appraised entity and relevant entities;
4. The financial terminal of Wind Information;
5. On-site survey records of and other relevant valuation information collected by our valuers.

(V) Other basis

1. The Guidelines for Asset Appraisal Experts No. 8 – Examination and Verification in Asset Appraisal (《資產評估專家指引第8號—資產評估中的核查驗證》) (China Appraisal Society [2019] No. 39);
2. The Guidelines for Asset Appraisal Experts No. 12 – Calculation of Discount Rate in the Value of Enterprises Appraised under the Income Approach (《資產評估專家指引第12號—收益法評估企業價值中折現率的測算》) (China Appraisal Society [2020] No. 38);
3. The list of assets and valuation declaration form provided by the appraised entity;
4. The audit report issued by Dahua Certified Public Accountants (Special General Partnership), Shandong Branch;
5. The database of Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司).

VII. VALUATION APPROACHES

The valuation approaches selected for this valuation are the asset-based approach and the income approach.

(I) Reasons for selecting these valuation approaches

Reasons for selecting the asset-based approach: As of the valuation benchmark date, the book values of assets and liabilities within the scope of valuation have been audited. All asset and liability items of the appraised entity are identifiable, and each identifiable asset and liability item can be individually appraised using appropriate valuation approaches. Therefore, it meets the conditions for using the asset-based approach for valuation.

Reasons for selecting the income approach: The appraised entity has the basis and conditions for continuing operations, and has standardized accounting practices and clear management. Its source of business is mainly the associated entities within the group to which it belongs to, and is relatively stable. Its management is able to provide business plans in line with the company's current operating condition and the company's development in the coming years, and its future expected earnings and operating risks can be predicted. Therefore, it meets the conditions for using the income approach for valuation.

Reasons for not adopting the market approach: The prerequisite for adopting the market approach is the existence of an active open market, sufficient market data and comparable transactions in the open market. The appraised entity is an unlisted company established for a short period of time. The business structure, company size, asset allocation and utilization, business stage, growth potential, operating risks, financial risks and other factors of listed companies in the same industry are different from those of the appraised entity and are not comparable, and there are not many sales and M&A transactions of comparable companies in the same industry in the PRC around the valuation benchmark date. It is difficult to obtain relevant and reliable operating and financial information of comparable transactions, making it impossible to calculate the appropriate value ratios. Therefore, the market approach has not been adopted in this valuation.

(II) Overview of valuation approaches*1. Income approach*

The income approach refers to the valuation approaches that capitalize or discount the expected income of the valuation subject to determine its value. In this valuation, among the income approach, the discounted cash flow approach has been used to appraise the overall value of the enterprise, in order to indirectly obtain the value of the entire equity of shareholders. Enterprise value consists of the value of operating assets from normal operating activities and the value of non-operating assets unrelated to normal operating activities. The calculation model is as follows:

Value of entire equity of shareholders = overall value of the enterprise – value of interest-bearing debts

2. Asset-based approach

The asset-based approach refers to the valuation approaches that appraise the value of each asset and liability item identifiable on and off the balance sheet based on the balance sheet of the appraise entity or business entity as of the valuation benchmark date to determine its value. The major valuation approaches are as follows:

(1) Current assets

- 1 Cash and cash equivalents (all of which are bank deposits):
The appraised value is determined based on the verified value upon verifying bank statements, bank confirmations, etc.
- 2 Notes receivable: The type, serial number, date of issuance, face value, transaction contract number, names (individual or entity) of the payer, acceptor and endorser, maturity and other information of notes receivable are verified by checking the notes receivable record book of the appraised entity. For notes receivable that have no definite basis for non-recoverability, the appraised value is determined based on the verified book value, and the bad debt provision for such notes receivable as of the valuation benchmark date is appraised as zero.

- 3 Accounts receivable and other receivables: Receivables are verified by inquiring the reasons for the receivables, the credit status of the relevant entities in relation to the receivables, the recovery of receivables in the past years, etc. and checking the corresponding vouchers, project progress settlement information, etc. with the appraised entity. For receivables that have no definite basis for non-recoverability, the appraised value is determined based on the verified book value, and the bad debt provision for such receivables as of the valuation benchmark date is appraised as zero.
- 4 Contract assets: Contract assets are verified by inquiring the product sales credit policy, customer composition, credit status, recovery of contract assets in the past years, etc. with the appraised entity, making confirmations for large-amount or long-aging contract assets in accordance with the principle of materiality, and conducting spot checks on corresponding contracts. For contract assets that have no definite basis for non-recoverability, the appraised value is determined based on the verified book value, and the bad debt provision for such contract assets as of the valuation benchmark date is appraised as zero.

(2) Deferred income tax assets

The accounted item of deferred income tax assets is the impact of temporary difference on corporate income tax due to the bad debt provision made by the appraised entity. The valuers verified the calculation process of deferred income tax assets based on the bad debt provision of relevant current accounts and the income tax rate applicable to the appraised entity as of the valuation benchmark date. In this valuation, the appraised value is determined based on the expected risk losses of notes receivable, receivables and contract assets determined through valuation and the income tax rate applicable to the enterprise. In this valuation, as the bad debt provisions for notes receivable, receivables and contract assets as of the valuation benchmark date are appraised as zero, the deferred income tax assets generated from bad debt provisions are also appraised as zero.

(3) Liabilities

The liabilities of the appraised entity include accounts payable, employee benefits payable, tax payable, other payables and other current liabilities. The valuers first checked the consistency between the subsidiary ledger and the general ledger, and checked the breakdown of accounts. At the same time, they randomly checked the relevant accounting vouchers and other information of payment and, based on the random checks of vouchers, determined the accuracy of the book value of debts, in order to determine the appraised value based on the verified book value.

VIII. PROCESS AND DETAILS OF IMPLEMENTATION OF VALUATION PROCEDURES

The valuers conducted valuation on the assets and liabilities in relation to the valuation subject from 23 October 2023 to 5 January 2024. The process and details of implementation of the major valuation procedures are as follows:

(I) Acceptance of engagement

On 23 October 2023, our firm reached an agreement with our client on the basics of the valuation engagement such as the purpose of valuation, valuation subject, scope of valuation and valuation benchmark date as well as the rights and obligations of each party, and formulated corresponding valuation plan with our client upon negotiation.

(II) Preparation

Upon the acceptance of engagement, the project team formulated a specific valuation work plan and established a valuation team based on the purpose of valuation, the characteristics of the valuation subject and the time schedule. At the same time, they compiled a list of information and declaration form necessary for the valuation based on the actual requirements of the project.

(III) On-site inspection

The valuers conducted necessary thorough checking on the assets and liabilities in relation to the valuation subject from 25 October 2023 to 3 November 2023, and conducted necessary due diligence on the operational management of the appraised entity.

1. *Verification of assets*

- (1) Guiding the appraised entity on filling in forms and preparing information to be provided to the valuation agency

The valuers guided the financial and asset management personnel of the appraised entity to carefully and accurately declare the assets within the scope of valuation according to the Valuation Schedules provided by the valuation agency and its filling requirements, list of information, etc. on the basis of voluntary asset inspection. At the same time, they collect and prepare the property rights certification documents of assets as well as documents that reflect the performance, status, economic and technical indicators, etc.

- (2) Preliminary review and improvement of the Valuation Schedules filled in by the appraised entity

The valuers understood the detailed status of the specific assets within the scope of valuation by reviewing the relevant information, and then carefully reviewed various Valuation Schedules and checked for any items that are incomplete or filled in incorrectly, any unclear asset items, as well as any omissions based on their experience and information obtained. At the same time, they gave feedback to the appraised entity on the improvement of the Valuation Schedules.

- (3) On-site inspection

Based on the types, quantities and distribution of assets within the scope of valuation, the valuers conducted on-site inspection of various assets based on the relevant requirements of valuation standards with the cooperation of relevant personnel of the appraised entity, and adopted different inspection methods according to different nature and characteristics of assets.

- (4) Supplement, modification and improvement of the Valuation Schedules

The valuers further improved the Valuation Schedules based on the results of on-site inspection and extensive communication with relevant personnel of the appraised entity, so as to ensure consistency among the accounting books, the financial statements and the actual circumstances.

2. *Due diligence*

In order to fully understand the operational management and the risk exposure of the appraised entity, the valuers conducted necessary due diligence, the major contents of which are as follows:

- (1) History, substantial shareholders and shareholding, necessary property rights and operational management structure of the appraised entity;
- (2) Management of assets, finance and operation of the appraised entity;
- (3) Operation plan, development planning and forecast financial information of the appraised entity;
- (4) Valuation and transaction of the valuation subject and appraised entity in the past;
- (5) Macro and regional economic factors that affect the operation of the appraised entity;
- (6) Development and prospect of the industry in which the appraised entity operates;
- (7) Other relevant information.

(IV) Collection of information

The valuers collected information for the valuation based on the specific circumstances of the valuation project, including information directly obtained from channels such as the market, information obtained from relevant parties such as our client, and information obtained from government departments, various professional bodies and other relevant authorities, and conducted necessary analysis, conclusion and compilation for the valuation information collected, serving as basis for valuation estimation.

(V) Valuation estimation

The valuers adopted the corresponding formula and parameters for analysis, calculation and determination based on the specific circumstances of each type of assets and the selected valuation approach to arrive at preliminary valuation conclusion. The project manager summed up the preliminary valuation conclusion of each type of assets, and prepared and compiled a preliminary valuation report.

(VI) Internal audit

According to our administrative measures for the procedures of valuation engagement, the project manager shall submit the preliminary valuation report for internal audit upon completing the same. Upon completion of internal audit, the project manager shall, without prejudicing the independent judgment of the valuation conclusion, communicate with our client or other relevant parties agreed by our client on the contents of the valuation report. Upon completion of the said valuation procedures, a formal valuation report shall be issued and submitted.

IX. ASSUMPTIONS OF VALUATION

The assumptions adopted for the analysis and estimation in this valuation report are as follows:

- (I) It is assumed that all valuation subjects are in the transaction process, and our valuers will conduct the valuation with reference to a simulated market based on the transaction conditions of the assets being appraised;
- (II) It is assumed that both parties to the assets transaction or the proposed assets transaction in the market have equal position and have the opportunity and time to access sufficient market information, and the transaction activities will be conducted on a voluntary and rational basis, so as to make a rational judgment on the assets in terms of their function, purpose and transaction price;
- (III) It is assumed that the assets being appraised will continue to be used according to their current purpose and usage;
- (IV) It is assumed that there will be no material changes in the PRC laws, regulations and policies currently in force and the macro-economic situation of the PRC, and there will be no material changes in the political, economic and social environment of the region where the parties to the transaction are located;
- (V) It is assumed that the enterprise will continue to operate as a going concern based on the actual circumstances of the assets as of the valuation benchmark date;
- (VI) It is assumed that, after the valuation benchmark date, there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-based levies in relation to the appraised entity;
- (VII) It is assumed that, after the valuation benchmark date, the management of the appraised entity is responsible and stable, and is capable of performing its duties;

- (VIII) Unless otherwise stated, it is assumed that the company fully complies with all relevant laws and regulations;
- (IX) It is assumed that, after the valuation benchmark date, there will be no force majeure and unforeseen circumstances that will have a significant adverse impact on the appraised entity;
- (X) It is assumed that, after the valuation benchmark date, the accounting policies adopted by the appraised entity will remain the same as those adopted in the preparation of this valuation report in material aspects;
- (XI) It is assumed that, after the valuation benchmark date, the scope and methods of operation of the appraised entity will remain the same as those existing, based on the existing management approaches and management standards;
- (XII) It is assumed that, after the valuation benchmark date, the cash inflow and cash outflow of the appraised entity are average inflow and average outflow, respectively;
- (XIII) It is assumed that the appraised entity will continue to obtain relevant industry qualifications upon the expiration of its qualification certificates (i.e. the Production Safety Licence, which is valid from 12 July 2023 until 11 July 2026; and the Construction Enterprise Qualification Certificate (Level I professional contracting of building finishing and decoration engineering, and Level II professional contracting of electronics and intelligent engineering), which is valid until 6 January 2027);
- (XIV) As of the valuation benchmark date, HuiBangDa uses the office space, desks and chairs of Shandong Lushang Architectural Design Co., Ltd.* (山東省魯商建築設計有限公司) for free for its business operations. After the valuation benchmark date, it is assumed that HuiBangDa will lease the office space, desks and chairs of Shandong Lushang Architectural Design Co., Ltd.* (山東省魯商建築設計有限公司) for its business operations. The leased area shall be calculated based on the actual area used, and the rent shall be estimated based on the market average and a certain growth rate.

The valuation conclusion of this valuation report is valid as of the valuation benchmark date under the above assumptions. In case of any material change to the above assumptions, the signing valuers and our firm shall not be responsible for the different valuation conclusion due to the change of assumptions.

X. VALUATION CONCLUSION**(I) Valuation results under the income approach**

As of the valuation benchmark date, the book value of the total assets of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) was RMB36,775,000; the book value of the total liabilities was RMB14,934,300; and the book value of the net assets was RMB21,840,700.

Upon valuation under the income approach, the value of the entire equity of shareholders was RMB22,137,900, representing an appreciation of RMB297,200 or an appreciation rate of 1.36%.

(II) Valuation results under the asset-based approach

As of the valuation benchmark date, the book value and appraised value of the total assets of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) were RMB36,775,000 and RMB36,798,300, respectively, representing an appreciation of RMB23,300 or an appreciation rate of 0.06%; the book value and appraised value of the total liabilities were RMB14,934,300 and RMB14,934,300, respectively, with no appreciation or depreciation; and the book value and appraised value of the net assets were RMB21,840,700 and RMB21,864,000, respectively, representing an appreciation of RMB23,300 or an appreciation rate of 0.11%.

The details of the valuation results under the asset-based approach are set out in the summary table of valuation results below:

Summary table of valuation results under the asset-based approach

Unit: RMB'0,000

Item	Book value A	Appraised value B	Appreciation/ Depreciation	
			in value C=B-A	Appreciation rate (%) D=C/A×100%
I. Current assets	3,677.38	3,679.83	2.45	0.07
Of which: Cash and cash equivalents	257.66	257.66	0.00	0.00
Transactional financial assets	0.00	0.00	0.00	
Derivative financial assets	0.00	0.00	0.00	
Notes receivable	309.67	309.98	0.31	0.10
Accounts receivable	521.45	522.27	0.82	0.16
Factoring of accounts receivables	0.00	0.00	0.00	
Prepayments	0.00	0.00	0.00	
Other receivables	1,859.78	1,859.93	0.15	0.01
Inventories	0.00	0.00	0.00	
Contract assets	728.82	729.98	1.16	0.16
Assets held for sale	0.00	0.00	0.00	
Non-current assets due within one year	0.00	0.00	0.00	
Other current assets	0.00	0.00	0.00	
II. Non-current assets	0.12	0.00	-0.12	-100.00
Of which: Long-term equity investment	0.00	0.00	0.00	0.00
Investment properties	0.00	0.00	0.00	0.00
Fixed assets	0.00	0.00	0.00	0.00
Construction in progress	0.00	0.00	0.00	0.00
Oil and gas assets	0.00	0.00	0.00	0.00
Intangible assets	0.00	0.00	0.00	0.00
Of which: Land use rights	0.00	0.00	0.00	0.00
Deferred income tax assets	0.12	0.00	-0.12	-100.00
Other non-current assets	0.00	0.00	0.00	0.00
Total assets	3,677.50	3,679.83	2.33	0.06
III. Current liabilities	1,493.43	1,493.43	0.00	0.00
IV. Non-current liabilities	0.00	0.00	0.00	0.00
Total liabilities	1,493.43	1,493.43	0.00	0.00
Net assets	2,184.07	2,186.40	2.33	0.11

As of the valuation benchmark date, the book value and appraised value of the total assets of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) were RMB36,775,000 and RMB36,798,300 respectively, representing an appreciation of RMB23,300 or an appreciation rate of 0.06%; the book value and appraised value of the total liabilities were RMB14,934,300 and RMB14,934,300 respectively, with no appreciation or depreciation; and the book value and appraised value under the asset-based approach of the net assets were RMB21,840,700 and RMB21,864,000, respectively, representing an appreciation of RMB23,300 or an appreciation rate of 0.11%. The reasons for the difference between the book value and valuation results of the assets are as follows:

I. Notes receivable, accounts receivable, other receivables and contract assets

In this valuation, for notes receivable, accounts receivable, other receivables and contract assets that have no definite basis to prove that they cannot be recovered, the appraised value was determined from the verified book value, while the bad debt allowance provided on the valuation benchmark date was appraised as nil.

II. Deferred income tax assets

The valuation of impairment was due to the deferred income tax assets arising from the provision of bad debt allowance. In this valuation, the bad debt allowance provided for each receivable on the valuation benchmark date was appraised as nil, hence, the deferred income tax assets arising from the provision of bad debt allowance was appraised as nil.

(III) Valuation conclusion

The value of the entire equity of shareholders upon valuation under the income approach was RMB22,137,900, and the value of the entire equity of shareholders upon valuation under the asset-based approach was RMB21,864,000. The difference between the two was RMB273,900, with a difference rate of 1.25%.

The asset-based approach refers to the valuation idea that determines the value of the valuation subject based on a reasonable valuation of each item of assets and liabilities of the enterprise, which is considered from the perspective of re-acquisition of assets. The income approach refers to the valuation idea that determines the value of the valuation subject by discounting the expected income of the appraised entity, which is considered from the perspective of the company's future profitability.

The valuation results under the asset-based approach has been adopted as the valuation conclusion, the specific reasons of which are as follows:

The appraised entity is principally engaged in the construction of decoration and renovation projects, and its income is mainly derived from the internal associated entities of Shandong Commercial to which it belongs to (such as Qingdao Lushang Land Development Co., Ltd.* (青島魯商置地發展有限公司), Qingdao Lvfu Real Estate Development Co., Ltd.* (青島綠富房地產開發有限公司) and Zibo Lushang Real Estate Co., Ltd.* (淄博魯商置業有限公司)). Its project acquisition, project income and profits have certain intra-group advantages, and its profitability is greatly affected by the group's overall planning. Moreover, HuiBangDa has been established for a short period of time. Its gross profit is greatly affected by its orders received, and certain part of its income and expenses still rely on Shandong Lushang Architectural Design Co., Ltd.* (山東省魯商建築設計有限公司), its original parent company. Even though this valuation has analyzed and estimated the income and expenses attributable to HuiBangDa, the uncertainty of future income forecasts will inevitably increase. In summary, the results under the income approach are not able to well reflect the overall value of the enterprise, and so it is not appropriate to use the valuation results under the income approach for this valuation. The asset-based approach has considered from the perspective of re-acquisition of assets and reflected the replacement value of each item of assets of the appraised entity as of the valuation benchmark date, and so the valuation results under the asset-based approach are able to better reflect the market value of the entire equity of shareholders of the appraised entity.

Based on the above analysis, the valuation conclusion of this valuation report has adopted the valuation results under the asset-based approach, that is: the valuation result of the entire equity of shareholders of Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) is RMB21,864,000.

The impact of liquidity on the value of the valuation subject has not been considered in this valuation report.

XI. NOTES ON SPECIAL MATTERS

Below are the relevant matters identified during the valuation process that may affect the valuation conclusion but could not be assessed or estimated by the valuers with their practice standards and professional capacities:

- (I) In this valuation report, any end difference between the total amount and the sum of items concerned in any description of amount in RMB'0,000 in the tables or texts is caused by rounding.
- (II) The audit report DaHuaShenZi [2023] No. 190479 issued by Dahua Certified Public Accountants (Special General Partnership), Shandong Branch on 5 January 2024 has been used in this valuation. According to Article 12 of the Practice Standards for Asset Appraisal – Value of Enterprises (《資產評估執業

準則—企業價值》): The valuers shall analyze and make judgements on the financial statements according to the requirements on the use of financial statements under the valuation approaches adopted. However, it is not the valuers' responsibility to give professional opinions on whether the relevant financial statements have fairly reflected the financial position as of the valuation benchmark date and the operating results or cash flow for the period.

- (III) According to the Asset Appraisal Law (《資產評估法》) and the Guiding Opinions on the Legal Title of Asset Appraisal Subjects (《資產評估對象法律權屬指導意見》), our client and the relevant parties who are engaged in valuation business shall ensure the authenticity, completeness and legitimacy of the legal ownership certificates, financial information and other materials provided by them. The purpose of engaging in valuation business is to estimate the value of the valuation subject and issue professional opinions thereon. It is beyond the scope of practice of the valuers to acknowledge the legal ownership of the valuation subject or issue opinions thereon. The valuers do not provide guarantee for the legal ownership of the valuation subject.
- (IV) The electronic equipment occupied by HuiBangDa for its business operations belongs to Shandong Lushang Architectural Design Co., Ltd.* (山東省魯商建築設計有限公司). As the above electronic equipment has been used by the appraised entity after the valuation benchmark date, for the forecast period of this valuation, capital expenditure is recognized based on the net book value in July 2023, and is updated based on the actual commencement date and expected economic life.

Users of the valuation report should pay attention to the impact of the above special matters on the valuation conclusion.

XII. NOTES ON THE LIMITATIONS OF USE OF THE VALUATION REPORT

- (I) Scope of use of the valuation report
1. Users of the valuation report are: our client, and users of the valuation report pursuant to PRC laws and administrative regulations.
 2. The valuation conclusion of the valuation report shall only be valid for the economic transaction corresponding to this engagement.
 3. The valuation conclusion of the valuation report shall be valid for one year from the valuation benchmark date. Our client or other users of the valuation report shall use the valuation report within the specified validity period of the valuation conclusion.

4. Without the written permission of our client, our firm and our valuers shall not provide or disclose the contents of the valuation report to any third party, unless otherwise provided by laws and administrative regulations.
 5. Without the consent of our firm, the contents of the valuation report shall not be excerpted, quoted or disclosed to any public media, unless otherwise provided by laws, administrative regulations and relevant parties.
- (II) If our client or other users of the valuation report are in breach of the laws, administrative regulations and the scope of application set out in the valuation report, our firm and our valuers shall not bear the responsibilities.
- (III) Except for our client, other users of the valuation report specified in the valuation engagement contract, and users of the valuation report pursuant to the laws and administrative regulations, no other institution or individual may become a user of the valuation report.
- (IV) Users of the valuation report should properly understand and use the valuation conclusion, and the valuation conclusion are not equivalent to and should not be treated as a guarantee for the realizable value of the valuation subject.
- (V) The valuation report refers to the professional report in relation to the value of the valuation subject for a specific purpose as of the valuation benchmark date issued by our firm in compliance with laws, administrative regulations and valuation standards upon the performance of necessary valuation procedures by our firm and our valuers according to the engagement. This report may only be formally used after being signed by our valuers who undertook such valuation engagement and stamped with our official seal, and filed with the state-owned assets supervision and administration authority or the invested enterprise.

XIII. VALUATION REPORTING DATE

The date of this valuation report is 5 January 2024.

Valuer: Li Qinglin (李青琳)

Valuer: Yu Xiaochao (於曉超)

Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司)
5 January 2024

* *For identification purpose only*

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 short positions of the Directors, Supervisors and the chief executive of the Company in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) contained in the Listing Rules, were as follows:

Name	Name of associated corporation	Nature of interest	Number of Shares interested	Approximate percentage of shareholding
Mr. Wang Zhongwu	Lushang Freda	Beneficial owner	100,000 ⁽¹⁾	0.0099%
Ms. Li Lu	Lushang Freda	Beneficial owner	200,000 ⁽²⁾	0.0197%
Mr. Wang Hongtao	Lushang Freda	Beneficial owner	78,000 ⁽³⁾	0.0077%
Mr. Zhang Xiangqian	Lushang Freda	Beneficial owner	26,667 ⁽⁵⁾	0.0026%

Notes:

- (1) Mr. Wang Zhongwu was interested in 100,000 shares of Lushang Freda.
- (2) Ms. Li Lu was interested in 200,000 shares of Lushang Freda.
- (3) Mr. Wang Hongtao was interested in 78,000 shares of Lushang Freda.
- (4) Mr. Zhang Xiangqian was interested in 26,667 shares of Lushang Freda.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors and the chief executive, as at the Latest Practicable Date, the following person (not being Director, Supervisors or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Long positions in Shares

Name	Nature of interest	Class of Shares	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total Shares ⁽³⁾
Lushang Freda	Beneficial owner	Domestic Shares	95,100,000 (L)	95.10%	71.32%
Shandong Commercial ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	100,000,000 (L)	100.00%	75.00%
Beijing Urban Construction Group Co., Ltd.* (北京城建集團 有限責任公司)	Interest in controlled corporation	H Shares	6,495,000 (L)	19.48%	4.87%
Beijing Urban Construction Real Estate Development Co., Ltd.* (北京城建房地產開發 有限公司)	Beneficial owner	H Shares	6,495,000 (L)	19.48%	4.87%
HWABAO TRUST CO., LTD	Trustee	H Shares	6,495,000 (L)	19.48%	4.87%
CHINA INTERNATIONAL ECONOMIC TRADING LIMITED	N/A ⁽⁵⁾	H Shares	4,680,000 (L)	14.04%	3.51%

* For identification purpose only

Name	Nature of interest	Class of Shares	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total Shares ⁽³⁾
LU DUNKE ⁽⁶⁾	Interest in controlled corporation	H Shares	3,650,000 (L)	10.95%	2.74%
Wenshang County Science Advancement and Construction Security and Workforce Co., Ltd.* (汶上縣科進建安勞務有限公司) ⁽⁶⁾	Beneficial owner	H Shares	3,650,000 (L)	10.95%	2.74%
FAN QINYUAN ⁽⁷⁾	Interest in controlled corporation	H Shares	3,025,000 (L)	9.07%	2.27%
Nantong Chen Yun Construction Workforce Co., Ltd.* (南通辰運建築勞務有限公司) ⁽⁷⁾	Beneficial owner	H Shares	3,025,000 (L)	9.07%	2.27%
Shandong Tian Qi Venture Capital Co., Ltd.* (山東天齊創業投資有限公司) ⁽⁷⁾	Beneficial owner	H Shares	2,254,500 (L)	6.76%	1.69%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Calculated based on the Company's 100,000,000 Domestic Shares or 33,340,000 H Shares in issue as at the Latest Practicable Date.
- (3) Calculated based on the total number of 133,340,000 Shares in issue as at the Latest Practicable Date.

- (4) Lushang Freda is owned as to 51.62% by Shandong Commercial and 1.69% by Lushang Group Co., Ltd., a company owned as to 68.15% by Shandong Commercial. By virtue of the SFO, Shandong Commercial is deemed to be interested in the Shares held by Lushang Freda. Green Development holds 4,900,000 Shares, representing 3.67% of the total Shares in issue. As at the Latest Practicable Date, Green Development was wholly owned by the Purchaser (i.e. Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司)), which is wholly owned by Shandong Commercial. By virtue of the SFO, Shandong Commercial is deemed to be interested in the Shares held by Green Development.
- (5) Based on the disclosure of interests form submitted by CHINA INTERNATIONAL ECONOMIC TRADING LIMITED on 11 July 2022 in respect of the relevant event that occurred on the Listing Date.
- (6) 汶上縣科進建安勞務有限責任公司 is a company beneficially wholly-owned by LU DUNKE.
- (7) 南通辰運建築勞務有限公司 is a company beneficially wholly-owned by FAN QINYUAN.
- (8) Ms. Li Lu, a non-executive Director, is currently the deputy general manager of the Purchaser.
- (9) Ms. Li Han, a non-executive Director, is currently an assistant to director of the financial management department of Shandong Commercial.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors, Supervisors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, (i) Mr. Wang Zhongwu and Ms. Li Lu are respectively a director and a senior manager of the Purchaser (i.e. Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司)); and (ii) Ms. Li Han is an assistant to a director of the finance department of Shandong Commercial, and both the Purchaser and Shandong Commercial have an interest in the Shares and 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and Supervisors is also an employee or director of any substantial shareholder of the Company.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, Supervisors, controlling shareholder of the Company nor their respective close associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete, either directly or indirectly, with the businesses of the Group or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed pursuant to the Listing Rules.

5. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors and Supervisors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased, or which were proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors and Supervisors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors had 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 consolidated financial statements of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against any other member of the Group.

9. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director or Supervisor had any existing or proposed service contracts with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has provided its advice, which is contained in this circular:

Name	Qualification
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 to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder
China Enterprise Appraisals Consultation Co., Ltd. (北京中企華資產評估 有限責任公司)	qualified asset valuer

Each of the Independent Valuer and the Independent Financial Adviser had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its opinions, recommendations, letter of advice and all references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the Independent Valuer and the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been, since the date to which the date to which the latest published audited consolidated financial statements of the Group were made up (i.e. 31 December 2022), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lushangfuwu.com) for 14 days from the date of this circular:

- (a) the letter from the Board, the text of which is set out on pages 7 to 21 of this circular;
- (b) the letter of recommendations from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages IBC-1 to IBC-2 of this circular;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages IFA-1 to IFA-22 of this circular;
- (d) the written consents referred to in the paragraph headed “10. Experts and consents” in this appendix; and
- (e) the Equity Transfer Agreement.

12. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Yang Zhen and Mr. Wong Wai Chiu.
- (b) The registered office of the Company and headquarters in the PRC is situated at Room 202, Block 2, Lushang Guo’ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC.
- (c) The principal place of business of the Company in Hong Kong is 40/F, Dah Sing Financial Centre 248 Queen’s Road East, Wanchai, Hong Kong.
- (d) The H share registrar of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistency.

* For identification purpose only

NOTICE OF THE EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Lushang Life Services Co., Ltd. (the “Company”) will be held at 38th Floor, Block 5, Lushang Guo’ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC on Friday, 19 April 2024 at 9:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as the ordinary resolution of the Company (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 22 March 2024 (the “Circular”)):

ORDINARY RESOLUTION

1. “THAT:
 - (a) the equity transfer agreement dated 27 February 2024 entered into between 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 the Company as the vendor (the “Equity Transfer Agreement”) in relation to the proposed disposal (the “Disposal”) of 100% of the equity interest in Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司) (the “Target Company”) (a copy of the Equity Transfer Agreement marked “A” is produced to this meeting and initialled by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
 - (b) any one or more directors of the Company (the “Director(s)”) (or any person authorised by them) be and is/are hereby authorised to prepare, sign, execute and deliver all such other documents, instruments and agreements for and on behalf of the Company, to take any and all steps and to do all such other or further acts and things considered necessary, appropriate, expedient or desirable by such Director(s) (or any person

* For identification purpose only

NOTICE OF THE EGM

authorised by them) to implement and/or give effect to the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder, and to agree to all such variation, revision, amendments or waiver of matters relating thereto as are, in the opinion of the Director(s) (or any person authorised by them), in the interests of the Company.

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

Hong Kong, 22 March 2024

*Registered office and headquarters
in the PRC*

Room 202, Block 2, Lushang Guo'ao City
No. 9777 Jingshi Road, Lixia District, Jinan
Shandong, the PRC

*Principal place of business
in Hong Kong*

40/F, Dah Sing Financial Centre
248 Queen's Road East, Wanchai
Hong Kong

Notes:

1. Individual shareholders who wish to attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account cards. Proxies of individual shareholders shall produce their effective proof of identity and form of proxy. A corporate shareholder should attend the meeting by its legal representative or proxy appointed by the legal representative. A legal representative who wishes to attend the meeting should produce his/her identity card or other valid documents evidencing his/her capacity as a legal representative. If appointed to attend the meeting, the proxy should produce his/her identity card and an authorisation instrument duly signed by the legal representative of the corporate shareholder.
2. A form of proxy for use at the EGM or any adjournment thereof is enclosed. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
4. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders), or to the registered office of the Company at Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC (for domestic Shareholders) as soon as possible and in any event not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

NOTICE OF THE EGM

5. For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 16 April 2024 to Friday, 19 April 2024, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents together with the relevant share certificates must be lodged for registration the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders), or to the registered office of the Company at Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC (for domestic Shareholders) not later than 4:30 p.m. (Hong Kong time) on Monday, 15 April 2024.
6. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
7. Pursuant to Rule 13.39(4) of the Listing Rules, all resolution at the EGM will be conducted by way of a poll. Results of the poll voting will be posted on the website of the Company (www.lushangfuwu.com) and the website of the Stock Exchange (www.hkexnews.hk) upon the conclusion of the EGM.
8. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.
9. 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. 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.