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
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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.

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.

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.

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 furbishing 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.

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;

(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.

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 furbishing 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).

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.

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 furbishing 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.

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 furbishing 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 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.

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.

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.

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.

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*