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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)

CONTINUING CONNECTED TRANSACTIONS

- (1) REVISION OF ANNUAL CAPS;
(2) MATERIAL CHANGE OF TERMS; AND
(3) RENEWAL OF ANNUAL CAPS**

(1) REVISION OF ANNUAL CAPS

The Board announces that on November 20, 2023 (after trading hours), the Company has entered into (i) the Supplemental Master Engineering Services Agreement to revise the existing annual caps for the year ending December 31, 2023 and expand the service scope to include decoration engineering services under the Existing Master Engineering Services Agreement; (ii) the Supplemental Master Design Services Agreement to revise the existing annual caps for the year ending December 31, 2023 under the Existing Master Design Services Agreement; and (iii) the Supplemental Master Property Management and Related Services Agreement to revise the existing annual caps for the year ending December 31, 2023 under the Existing Master Property Management and Related Services Agreement.

Listing Rules implications

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the announcement and shareholders' approval requirements.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the proposed revised annual caps under each of the (i) Supplemental Master Engineering Services Agreement; (ii) Supplemental Master Design Services Agreement; and (iii) Supplemental Master Property Management and Related Services Agreement is expected to be more than 5%, each of the (i) Supplemental Master Engineering Services Agreement; (ii) Supplemental Master Design Services Agreement; and (iii) Supplemental Master Property Management and Related Services Agreement and the transactions contemplated thereunder (including the proposed revised annual caps therefor) will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) MATERIAL CHANGE OF TERMS

The Board further announces that on November 20, 2023 (after trading hours), Lushang Freda, Shandong Commercial and the Company entered into the (i) Supplemental Master Property Agency Services Agreement and (ii) Supplemental Master Parking Lots Entrusted Management Services Agreement, pursuant to which Lushang Freda (as novator) has agreed to novate its rights and liabilities under the (i) Existing Master Property Agency Services Agreement and (ii) Existing Master Parking Lots Entrusted Management Services Agreement to Shandong Commercial (as novatee).

Listing Rules implications

As the change of party to the Existing Master Property Agency Services Agreement and the Existing Master Parking Lots Entrusted Management Services Agreement constitutes a material change of terms, the Company will need to re-comply with the announcement and shareholders' approval requirements under Rule 14A.54 of the Listing Rules.

(3) RENEWAL OF ANNUAL CAPS

The Board further announces that on November 20, 2023 (after trading hours), the Company has entered into the (i) New Master Engineering Services Agreement; (ii) New Master Design Services Agreement; (iii) New Master Property Agency Services Agreement; (iv) New Master Parking Lots Entrusted Management Services Agreement; and (v) New Master Property Management and Related Services Agreement (i.e. the New Agreements) for a term commencing from January 1, 2024 to December 31, 2025.

Listing Rules implications

As of the date of this announcement, Shandong Commercial is a controlling shareholder of the Company, and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Agreements will constitute continuing connected transactions for the Company.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the highest annual cap under each of the New Master Engineering Services Agreement and the New Master Design Services Agreement exceeds 5%, each of the New Master Engineering Services Agreement and the New Master Design Services Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the New Master Property Agency Services Agreement, the New Master Parking Lots Entrusted Management Services Agreement and the New Master Property Management and Related Services Agreement were all entered into by the Company with Shandong Commercial and the transactions are similar in nature, the transactions under the three agreements shall be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. As the highest applicable ratio in respect of the highest annual caps under the New Master Property Agency Services Agreement, the New Master Parking Lots Entrusted Management Services Agreement and the New Master Property Management and Related Services Agreement, if aggregated, exceeds 5%, the New Master Property Agency Services Agreement, the New Master Parking Lots Entrusted Management Services Agreement, the New Master Property Management and Related Services Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

A circular containing, among other things, (i) further information on the Supplemental Agreements, the New Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before December 8, 2023.

BACKGROUND

Reference is made to the Prospectus in respect of, among other things, the (i) Existing Master Engineering Services Agreement; (ii) Existing Master Design Services Agreement; (iii) Existing Master Property Agency Services Agreement; (iv) Existing Master Parking Lots Entrusted Management Services Agreement; and (v) Existing Master Property Management and Related Services Agreement.

(1) REVISION OF ANNUAL CAPS

On November 20, 2023 (after trading hours), the Company has entered into (i) the Supplemental Master Engineering Services Agreement to revise the existing annual caps for the year ending December 31, 2023 and expand the service scope to include decoration engineering services under the Existing Master Engineering Services Agreement; (ii) the Supplemental Master Design Services Agreement to revise the existing annual caps for the year ending December 31, 2023 under the Existing Master Design Services Agreement; and (iii) the Supplemental Master Property Management and Related Services Agreement to revise the existing annual caps for the year ending December 31, 2023 under the Existing Master Property Management and Related Services Agreement, the principal terms of which are set out below:

(i) Supplemental Master Engineering Services Agreement

Under the Existing Master Engineering Services Agreement, the Group has agreed to provide to Lushang Freda Associates and Shandong Commercial Associates certain engineering services, including but not limited to (i) landscape construction engineering services; (ii) maintenance engineering services; and (iii) landscape technology engineering services. Under the Supplemental Master Engineering Services Agreement, the scope of services will further expand to cover decoration engineering services (together with (i) to (iii) above, the “**Engineering Services**”).

The existing annual caps under the Existing Master Engineering Services Agreement for the year ended December 31, 2022 and for the year ending December 31, 2023 are as follows:

	For the year ended December 31, 2022 (RMB'million)	For the year ending December 31, 2023 (RMB'million)
Lushang Freda Associates	64.4	72.0
Shandong Commercial Associates	<u>7.6</u>	<u>8.0</u>
Total	<u>72.0</u>	<u>80.0</u>

The historical aggregate transaction amounts under the Existing Master Engineering Services Agreement for the year ended December 31, 2022 and the six months ended June 30, 2023 were as follows:

	For the year ended December 31, 2022 (RMB'million)	For the six months ended June 30, 2023 (RMB'million)
Lushang Freda Associates	60.3	10.7
Shandong Commercial Associates	<u>1.3</u>	<u>32.1</u>
Total	<u>61.6</u>	<u>42.8</u>

Pursuant to the Supplemental Master Engineering Services Agreement, the annual cap of the Engineering Services provided to Shandong Commercial Associates for the year ending December 31, 2023 is revised to RMB87.0 million. The revised annual caps under the Supplemental Master Engineering Services Agreement are set out as follows:

	For the year ending December 31, 2023 (RMB'million)
Lushang Freda Associates	72.0
Shandong Commercial Associates	<u>87.0</u>
Total	<u>159.0</u>

Save for such revision in the annual caps and the scope of services as mentioned above, all other terms of the Existing Master Engineering Services Agreement shall remain valid and in full force and effect.

As at the date of this announcement, for the reason set out in the section headed “Rectification of breach of the Listing Rules”, the actual transaction amount with Shandong Commercial Associates had exceeded the original annual caps for the year ending December 31, 2023 under the Existing Master Engineering Services Agreement. The Board confirmed that the actual transaction amount with Lushang Freda Associates from January 1, 2023 and up to the date of this announcement has not exceeded the original annual cap for the year ending December 31, 2023 under the Existing Master Engineering Services Agreement.

The revised annual cap under the Supplemental Master Engineering Services Agreement was determined after taking into consideration principal factors including, among others, (i) the historical transaction amounts; (ii) the estimated revenue of the Engineering Services to be recognized by the Group pursuant to the existing contracts with Lushang Freda Associates (prior to the Disposal) and Shandong Commercial Associates (after the Disposal); (iii) the estimated service fee to be charged for the Engineering Services, which is based on the historical service fee charged and the expected increase in operational costs associated with the Engineering Services, including but not limited to labor costs, administration costs and costs of materials used for providing the services; (iv) the estimated number of projects to be developed or owned by Shandong Commercial Associates for which the Group anticipates to provide the Engineering Services based on the development plan of Lushang Freda Associates and Shandong Commercial Associates; and (v) the expected transaction amount for the decoration engineering services which is an additional service item under the Supplemental Master Engineering Services Agreement, based on the estimated service fee to be charged and the estimated number of projects for which the Group anticipates to be engaged as elaborated in (iii) and (iv) above.

Reasons and benefits of entering into the Supplemental Master Engineering Services Agreement

After the Disposal (details are set out in the section “Rectification of breach of the Listing Rules”), most of the demand for the Engineering Services are shifted from Lushang Freda Associates to Shandong Commercial Associates. Further, the Group expected to expand the scope of the Engineering Services to be provided to Shandong Commercial Associates to cover decoration engineering services. As such, the original annual cap for the year ending December 31, 2023 in respect of the Engineering Services to be provided to Shandong Commercial Associates is not sufficient. In order for the Group to continuously provide the Engineering Services to Shandong Commercial Associates in compliance with the Listing Rules, the Company has entered into the Supplemental Master Engineering Services Agreement to revise the annual cap for the transaction amount with Shandong Commercial Associates for the year ending December 31, 2023 under the Existing Master Engineering Services Agreement.

The Directors (excluding the independent non-executive Directors, whose views will be given after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Supplemental Master Engineering Services Agreement and the transactions contemplated thereunder (including the revised annual cap therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

(ii) Supplemental Master Design Services Agreement

Under the Existing Master Design Services Agreement, the Group has agreed to provide to Lushang Freda Associates and Shandong Commercial Associates certain design services, including but not limited to (i) architectural design services; (ii) landscape design services; (iii) decorative design services; and (iv) decoration management services (the “**Design Services**”).

The existing annual caps under the Existing Master Design Services Agreement for the year ended December 31, 2022 and the year ending December 31, 2023 are as follows:

	For the year ended December 31, 2022 (RMB'million)	For the year ending December 31, 2023 (RMB'million)
Lushang Freda Associates	53.9	70.0
Shandong Commercial Associates	14.5	19.3
Total	68.4	89.3

The historical transaction amounts under the Existing Master Design Services Agreement for the year ended December 31, 2022 and the six months ended June 30, 2023 were as follows:

	For the year ended December 31, 2022 (RMB'million)	For the six months ended June 30, 2023 (RMB'million)
Lushang Freda Associates	43.5	2.7
Shandong Commercial Associates	<u>7.0</u>	<u>3.3</u>
Total	<u>50.5</u>	<u>6.0</u>

Pursuant to the Supplemental Master Design Services Agreement, the annual cap of the Design Services provided to Shandong Commercial Associates for the year ending December 31, 2023 is revised to RMB36.0 million. The total annual caps of the Design Services under the Supplemental Master Design Services Agreement are set out as follows:

	For the year ending December 31, 2023 (RMB'million)
Lushang Freda Associates	70.0
Shandong Commercial Associates	<u>36.0</u>
Total	<u>106.0</u>

Save for such revision in the annual caps as mentioned above, all other terms of the Existing Master Design Services Agreement shall remain valid and in full force and effect.

The Board confirms that the transaction amounts of the Design Services since January 1, 2023 and up to the date of this announcement has not exceeded the original annual caps for the year ending December 31, 2023 under the Existing Master Design Services Agreement.

The revised annual caps under the Supplemental Master Design Services Agreement was determined after taking into consideration principal factors including, among others, (i) the historical transaction amounts; (ii) the estimated revenue of the Design Services to be recognized by the Group pursuant to the existing contracts with Lushang Freda Associates (prior to the Disposal) and Shandong Commercial Associates (after the Disposal); and (iii) the estimated service fee to be charged for the Design Services.

Reasons and benefits of entering into the Supplemental Master Design Services Agreement

After the Disposal (details are set out in the section “Rectification of breach of the Listing Rules”), most of the demand for the Design Services are shifted from Lushang Freda Associates to Shandong Commercial Associates. As such, the original annual cap for the year ending December 31, 2023 in respect of the Design Services to be provided to Shandong Commercial Associates is not sufficient. In order for the Group to continuously provide the Design Services to Shandong Commercial Associates in compliance with the Listing Rules, the Company has entered into the Supplemental Master Design Services Agreement to revise the annual cap for the transaction amount with Shandong Commercial Associates for the year ending December 31, 2023 under the Existing Master Design Services Agreement.

The Directors (excluding the independent non-executive Directors, whose views will be given after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Supplemental Master Design Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

(iii) Supplemental Master Property Management and Related Services Agreement

Under the Existing Master Property Management and Related Services Agreement, the Group has agreed to provide to Lushang Freda Associates and Shandong Commercial Associates certain property management and related services, including but not limited to (i) property pre-delivery services, including but not limited to (a) management services for the on-site sales offices and display units; (b) house inspection services; (c) pre-delivery cleaning services; and (d) pre-delivery preparation; (ii) property management services for the properties owned or used by Lushang Freda Associates and Shandong Commercial Associates, including but not limited to the unsold residential property units, office buildings, schools and commercial properties; and (iii) other related services (the “**Property Management and Related Services**”).

The existing annual caps under the Existing Master Property Management and Related Services Agreement for the year ended December 31, 2022 and the year ending December 31, 2023 are as follows:

	For the year ended December 31, 2022 (RMB'million)	For the year ending December 31, 2023 (RMB'million)
Lushang Freda Associates	78.0	82.4
Shandong Commercial Associates	14.0	16.0
Total	92.0	98.4

The historical transaction amounts under the Existing Master Property Management and Related Services Agreement for the year ended December 31, 2022 and the six months ended June 30, 2023 were as follows:

	For the year ended December 31, 2022 (RMB'million)	For the six months ended June 30, 2023 (RMB'million)
Lushang Freda Associates	53.2	14.1
Shandong Commercial Associates	<u>13.2</u>	<u>18.8</u>
Total	<u>66.4</u>	<u>32.9</u>

Pursuant to the Supplemental Master Property Management and Related Services Agreement, the annual cap of the Property Management and Related Services provided to Shandong Commercial Associates for the year ending December 31, 2023 is revised to RMB52.0 million. The total annual caps under the Supplemental Master Property Management and Related Services Agreement are set out as follows:

	For the year ending December 31, 2023 (RMB'million)
Lushang Freda Associates	82.4
Shandong Commercial Associates	<u>52.0</u>
Total	<u>134.4</u>

Save for such revision in the annual caps as mentioned above, all other terms of the Existing Master Property Management and Related Services Agreement shall remain valid and in full force and effect.

As at the date of this announcement, for the reason set out in the section headed “Rectification of breach of the Listing Rules”, the actual transaction amount with Shandong Commercial Associates had exceeded the original annual cap for the year ending December 31, 2023 under the Existing Master Property Management and Related Services Agreement. The Board confirmed that the actual transaction amount with Lushang Freda Associates from January 1, 2023 and up to the date of this announcement has not exceeded the original annual cap for the year ending December 31, 2023 under the Existing Master Property Management and Related Services Agreement.

The revised annual caps under the Supplemental Master Property Management and Related Services Agreement were determined after taking into consideration principal factors including, among others, (i) the historical transaction amount; (ii) the estimated revenue of the Property Management and Related Services to be recognized by the Group pursuant to the existing contracts with Lushang Freda Associates (prior to the Disposal) and Shandong Commercial Associates (after the Disposal); and (iii) the estimated service fee to be charged for the Property Management and Related Services.

Reasons and benefits of entering into the Supplemental Master Property Management and Related Services Agreement

After the Disposal (details are set out in the section “Rectification of breach of the Listing Rules”), most of the demand for the Property Management and Related Services are shifted from Lushang Freda Associates to Shandong Commercial Associates. As such, the original annual cap for the year ending December 31, 2023 in respect of the Property Management and Related Services to be provided to Shandong Commercial Associates is not sufficient. In order for the Group to continuously provide the Property Management and Related Services to Shandong Commercial Associates in compliance with the Listing Rules, the Company has entered into the Supplemental Master Property Management and Related Services Agreement to revise the annual cap for the year ending December 31, 2023 under the Existing Master Property Management and Related Services Agreement.

The Directors (excluding the independent non-executive Directors, whose views will be given after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Supplemental Master Property Management and Related Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Listing Rules implications

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the announcement and shareholders' approval requirements.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the proposed revised annual cap under each of the (i) Supplemental Master Engineering Services Agreement; (ii) Supplemental Master Design Services Agreement; and (iii) Supplemental Master Property Management and Related Services Agreement is expected to be more than 5%, each of the (i) Supplemental Master Engineering Services Agreement; (ii) Supplemental Master Design Services Agreement; and (iii) Supplemental Master Property Management and Related Services Agreement and the transactions contemplated thereunder (including the proposed revised annual caps therefor) will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) MATERIAL CHANGE OF TERMS

On June 22, 2022, the Company and Lushang Freda entered into the (i) Existing Master Property Agency Services Agreement and (ii) Existing Master Parking Lots Entrusted Management Services Agreement, the principal terms of which are set out below:

(i) Existing Master Property Agency Services Agreement

Date

June 22, 2022

Parties

- (a) The Company; and
- (b) Lushang Freda.

Term

Subject to compliance with the Listing Rules, from the Listing Date to December 31, 2023 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

Under the Existing Master Property Agency Services Agreement, the Group has agreed to provide sales assistance services in respect of the sales of the unsold properties and car parks (the “**Property Agency Services**”) to Lushang Freda Associates.

Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the Existing Master Property Agency Services Agreement.

Pricing policy

The fees to be charged for the Property Agency Services shall amount to a percentage of the sales price of the unsold properties and car parks, and will be determined on arm's length negotiations with reference to (i) the prevailing market price for similar services in the vicinity of the project taking into account the size, type and location of the unsold properties and car parks; and (ii) the terms offered to Independent Third Parties by Lushang Freda Associates for similar services. The terms offered to the Group shall not be less favourable than those offered to Independent Third Parties.

Payment arrangement

The payment mechanism for all fees and payments pursuant to the Existing Master Property Agency Services Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Existing annual caps

The existing annual caps for the year ended December 31, 2022 and for the year ending December 31, 2023 will not exceed RMB13.0 million and RMB15.0 million, respectively.

The actual transaction amounts for the year ended December 31, 2022 and the six months ended June 30, 2023 under the Existing Master Property Agency Services Agreement were RMB6.2 million and nil, respectively.

(ii) Existing Master Parking Lots Entrusted Management Services Agreement

Date

June 22, 2022

Parties

- (a) The Company; and
- (b) Lushang Freda.

Term

Subject to compliance with the Listing Rules, from the Listing Date to December 31, 2023 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

Under the Existing Master Parking Lots Entrusted Management Services Agreement, the Group has agreed to provide operational management services (the “**Parking Lots Entrusted Management Services**”) to certain parking lots owned by Lushang Freda Associates. Under such arrangement, the Group is entrusted with full authority to operate and manage the parking lots and entitled to receive the income generated from the Parking Lots Entrusted Management Services and will pay to Lushang Freda Associates an amount equal to a pre-agreed percentage of the income generated from the Parking Lots Entrusted Management Services (after deducting the operating costs).

Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the Existing Master Parking Lots Entrusted Management Services Agreement.

Pricing policy

The fees to be paid by the Group shall be determined on arm’s length basis with reference to (i) the prevailing market price for similar services in the vicinity of the projects taking into account the location and type of the parking lots; (ii) the estimated operating costs under the operational management of the Group; and (iii) the estimated total revenue generated from the Parking Lots Entrusted Management Services.

Payment arrangement

The payment mechanism for all fees and payments pursuant to the Existing Master Parking Lots Entrusted Management Services Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Existing annual caps

The existing annual caps for the year ended December 31, 2022 and for the year ending December 31, 2023 will not exceed RMB1.8 million and RMB2.2 million, respectively.

The actual transaction amounts for the year ended December 31, 2022 and the six months ended June 30, 2023 under the Existing Master Parking Lots Entrusted Management Services Agreement were RMB0.8 million and nil, respectively.

On November 20, 2023 (after trading hours), Lushang Freda, Shandong Commercial and the Company entered into the (i) Supplemental Master Property Agency Services Agreement and (ii) Supplemental Master Parking Lots Entrusted Management Services Agreement, pursuant to which Lushang Freda (as novator) has agreed to novate its rights and liabilities under the (i) Existing Master Property Agency Services Agreement and (ii) Existing Master Parking Lots Entrusted Management Services Agreement to Shandong Commercial (as novatee), the principal terms of which are set out below:

(i) Supplemental Master Property Agency Services Agreement

Date

November 20, 2023

Parties

- (a) Lushang Freda;
- (b) Shandong Commercial; and
- (c) the Company.

Term

Subject to compliance with the Listing Rules, from the Effective Date to December 31, 2023 (both days inclusive).

Subject matter

Under the Existing Master Property Agency Services Agreement, the Group has agreed to provide the Property Agency Services to Lushang Freda Associates.

Pursuant to the Supplemental Master Property Agency Services Agreement, Lushang Freda has novated all its rights and liabilities under the Existing Master Property Agency Services Agreement to Shandong Commercial, i.e. the Group will provide the Property Agency Services in respect of the sales of the unsold properties and car parks to Shandong Commercial Associates with effect from the Effective Date.

Save for the above change of parties to the Existing Master Property Agency Services Agreement, all other terms of the Existing Master Property Agency Services Agreement remain unchanged.

(ii) Supplemental Master Parking Lots Entrusted Management Services Agreement

Date

November 20, 2023

Parties

- (a) Lushang Freda;
- (b) Shandong Commercial; and
- (c) The Company.

Term

Subject to compliance with the Listing Rules, from the Effective Date to December 31, 2023 (both days inclusive).

Subject matter

Under the Existing Master Parking Lots Entrusted Management Services Agreement, the Group has agreed to provide the Parking Lots Entrusted Management Services to certain parking lots owned by Lushang Freda Associates.

Pursuant to the Supplemental Master Parking Lots Entrusted Management Services Agreement, Lushang Freda has novated all its rights and liabilities under the Existing Master Parking Lots Entrusted Management Services Agreement to Shandong Commercial, i.e. the Group will provide the Parking Lots Entrusted Management Services to Shandong Commercial Associates with effect from the Effective Date.

Save for the above change of parties to the Existing Master Parking Lots Entrusted Management Services Agreement, all other terms of the Existing Master Parking Lots Entrusted Management Services Agreement remain unchanged.

Reasons and benefits

After the Disposal, the transactions contemplated under the (i) Existing Master Property Agency Services Agreement and (ii) the Existing Master Parking Lots Entrusted Management Services Agreement will be conducted between the Group and Shandong Commercial Associates. Entering into the (i) Supplemental Master Property Agency Services Agreement and (ii) Supplemental Master Parking Lots Entrusted Management Services Agreement will enable the Group to continue to provide the Property Agency Services and the Parking Lots Entrusted Management Services to the relevant pre-disposed entities of Lushang Freda after the Disposal.

Entering into the Supplemental Master Property Agency Services Agreement and Supplemental Master Parking Lots Entrusted Management Services Agreement is a necessary consequential act as a result of the Disposal and there is no change in terms under each of the Existing Master Property Agency Services Agreement and the Existing Master Parking Lots Entrusted Management Services Agreement (apart from the change of parties). The Directors (excluding the independent non-executive Directors, whose views will be given after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Supplemental Master Property Agency Services Agreement, the Supplemental Master Parking Lots Entrusted Management Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Listing Rules implications

As the change of party to the Existing Master Property Agency Services Agreement and the Existing Master Parking Lots Entrusted Management Services Agreement constitutes a material change of terms, the Company will need to re-comply with the announcement and shareholders' approval requirements under Rule 14A.54 of the Listing Rules.

(3) RENEWAL OF ANNUAL CAPS

On November 20, 2023 (after trading hours), the Company has also entered into the (i) New Master Engineering Services Agreement; (ii) New Master Design Services Agreement; (iii) New Master Property Agency Services Agreement; (iv) New Master Parking Lots Entrusted Management Services Agreement; and (v) New Master Property Management and Related Services Agreement (i.e. the New Agreements) for a term commencing from January 1, 2024 to December 31, 2025.

The principal terms of each of the New Agreements are set out below:

(i) New Master Engineering Services Agreement

Date

November 20, 2023

Parties

- (a) The Company; and
- (b) Shandong Commercial.

Term

Subject to compliance with the Listing Rules, from January 1, 2024 to December 31, 2025 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

Under the New Master Engineering Services Agreement, the Group has agreed to provide the Engineering Services primarily to Shandong Commercial Associates. As Lushang Freda Associates still require the Group to provide the Engineering Services for the commercial properties held by them for their own use after the Disposal, the Group will continue to provide the Engineering Services to Lushang Freda Associates in this regard.

Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the New Master Engineering Services Agreement.

Pricing policy

The fees to be charged for the Engineering Services shall be determined on arm's length negotiations with reference to (i) the size, location and positioning of the projects; (ii) the nature, complexity and scope of services; (iii) the anticipated operational costs, including but not limited to labor costs, administration costs and costs of materials used for providing the services; (iv) the fees for similar services and similar types of projects in the market; and (v) the prices charged by the Group for providing comparable services to Independent Third Parties.

Payment arrangement

The payment mechanism for all fees and payments pursuant to the New Master Engineering Services Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Historical transaction amount

The existing annual caps under the Existing Master Engineering Services Agreement (as amended and supplemented by the Supplemental Master Engineering Services Agreement and subject to the approval by the Independent Shareholders at the EGM) for the year ended December 31, 2022 and the year ending December 31, 2023 are as follows:

	For the year ended December 31, 2022 (RMB'million)	For the year ending December 31, 2023 (RMB'million)
Lushang Freda Associates	64.4	72.0
Shandong Commercial Associates	<u>7.6</u>	<u>87.0</u>
Total	<u>72.0</u>	<u>159.0</u>

The historical transaction amounts under the Existing Master Engineering Services Agreement for the year ended December 31, 2022 and the six months ended June 30, 2023 were as follows:

	For the year ended December 31, 2022 (RMB'million)	For the six months ended June 30, 2023 (RMB'million)
Lushang Freda Associates	60.3	10.7
Shandong Commercial Associates	<u>1.3</u>	<u>32.1</u>
Total	<u>61.6</u>	<u>42.8</u>

Proposed annual caps

The proposed caps under the New Master Engineering Services Agreement for the two years ending December 31, 2025 are as follows:

	For the year ended December 31, 2024 (RMB'million)	For the year ending December 31, 2025 (RMB'million)
Lushang Freda Associates	10.0	10.0
Shandong Commercial Associates	<u>100.0</u>	<u>110.0</u>
Total	<u>110.0</u>	<u>120.0</u>

The above annual caps were determined with reference to, among other things, (i) the historical transaction amounts and growth trend; (ii) the estimated revenue to be recognized in relation to the Engineering Services provided by the Group pursuant to the existing contracts with Lushang Freda Associates and Shandong Commercial Associates; (iii) the estimated service fee to be charged for the Engineering Services, which is based on the historical service fee charged and the expected increase in operational costs associated with the Engineering Services, including but not limited to labor costs, administration costs and costs of materials

used for providing the services; and (iv) the estimated number of projects to be developed or owned by Lushang Freda Associates and Shandong Commercial Associates for which the Group anticipates to provide the Engineering Services for the two years ending December 31, 2025 based on the investment plan of Lushang Freda Associates and the development plan of Shandong Commercial Associates.

Reasons for and benefits of entering into the New Master Engineering Services Agreement

The Group has been engaged by Lushang Freda Associates and Shandong Commercial Associates to provide the Engineering Services since 2020. It is expected that the Group will continue to do so in its ordinary and usual course of business for earning revenue, thus it is in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors, whose view will be provided after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the New Master Engineering Services Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) New Master Design Services Agreement

Date

November 20, 2023

Parties

- (a) The Company; and
- (b) Shandong Commercial.

Term

Subject to compliance with the Listing Rules, from January 1, 2024 to December 31, 2025 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

Under the New Master Design Services Agreement, the Group has agreed to provide the Design Services primarily to Shandong Commercial Associates. As Lushang Freda Associates still require the Group to provide the Design Services for the commercial properties held by them for their own use after the Disposal, the Group will continue to provide the Design Services to Lushang Freda Associates in this regard.

Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the New Master Design Services Agreement.

Pricing policy

The fees to be charged for the Design Services shall be determined on arm's length negotiations with reference to (i) the nature, complexity and scope of services; (ii) the anticipated operational costs, including but not limited to labor costs, administration costs and costs of materials used for providing the services; (iii) the fees for similar services and similar types of projects in the market; and (iv) the prices charged by the Group for providing comparable services to Independent Third Parties.

Payment arrangement

The payment mechanism for all fees and payments pursuant to the New Master Design Services Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Historical transaction amount

The existing annual caps under the Existing Master Design Services Agreement (as amended by the Supplemental Master Design Services Agreement and subject to the approval by the Independent Shareholders at the EGM) for the year ended December 31, 2022 and for the year ending December 31, 2023 are as follows:

	For the year ended December 31, 2022 (RMB'million)	For the year ending December 31, 2023 (RMB'million)
Lushang Freda Associates	53.9	70.0
Shandong Commercial Associates	14.5	36.0
Total	68.4	106.0

The historical transaction amounts under the Existing Master Design Services Agreement for the year ended December 31, 2022 and the six months ended June 30, 2023 were as follows:

	For the year ended December 31, 2022 (RMB'million)	For the six months ended June 30, 2023 (RMB'million)
Lushang Freda Associates	43.5	2.7
Shandong Commercial Associates	7.0	3.3
Total	50.5	6.0

Proposed annual caps

The proposed caps under the New Master Design Services Agreement for the two years ending December 31, 2025 are as follows:

	For the year ending December 31, 2024 (RMB'million)	For the year ending December 31, 2025 (RMB'million)
Lushang Freda Associates	4.0	5.0
Shandong Commercial Associates	42.0	48.0
Total	46.0	53.0

The above annual caps were determined with reference to, among other things, (i) the historical transaction amounts; (ii) the estimated revenue to be recognized in relation to the Design Services provided by the Group pursuant to the existing contracts with Lushang Freda Associates and Shandong Commercial Associates; (iii) the estimated service fee to be charged for the Design Services, which is based on the historical service fee charged and the expected increase in operational costs associated with the Design Services, including but not limited to labor costs, administration costs and costs of materials used for providing the services; and (iv) the estimated number of projects to be developed or owned by Lushang Freda Associates and Shandong Commercial Associates for which the Group anticipates the Group may be engaged to provide the Design Services for the two years ending December 31, 2025.

Reasons for and benefits of entering into the New Master Design Services Agreement

The Group has been engaged by Shandong Commercial Associates and Lushang Freda Associates to provide the Design Services since 2021. It is expected that the Group will continue to do so in its ordinary and usual course of business for earning revenue, thus it is in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors, whose view will be provided after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the New Master Design Services Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(iii) New Master Property Agency Services Agreement

Date

November 20, 2023

Parties

- (a) The Company; and
- (b) Shandong Commercial.

Term

Subject to compliance with the Listing Rules, from January 1, 2024 to December 31, 2025 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

Under the New Master Property Agency Services Agreement, the Group has agreed to provide the Property Agency Services in respect of the sales of the unsold properties and car parks to Shandong Commercial Associates.

Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the New Master Property Agency Services Agreement.

Pricing policy

The fees to be charged for the Property Agency Services shall amount to a percentage of the sales price of the unsold properties and car parks, and will be determined on arm's length negotiations with reference to (i) the prevailing market price for similar services in the vicinity of the project taking into account the size, type and location of the unsold properties and car parks; and (ii) the terms offered to Independent Third Parties by Shandong Commercial Associates for similar services. The terms offered to the Group shall not be less favourable to the Group than those offered to Independent Third Parties.

Payment arrangement

The payment mechanism for all fees and payments pursuant to the New Master Property Agency Services Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Historical transaction amount

The existing annual caps for the year ended December 31, 2022 and for the year ending December 31, 2023 under the Existing Master Property Agency Services Agreement will not exceed RMB13.0 million and RMB15.0 million, respectively.

The actual transaction amounts for the year ended December 31, 2022 and the six months ended June 30, 2023 under the Existing Master Property Agency Services Agreement were RMB6.2 million and nil, respectively.

In respect of the nil transaction amount for the six months ended June 30, 2023, after the expiry of the contracts with Lushang Freda Associates by the end of December 31, 2022, the Group had been negotiating for new contracts with Lushang Freda Associates. However, up to the Latest Practicable Date, no contract has been signed with any Lushang Freda Associates and therefore, the actual transaction amount was nil.

The Group subsequently understands from Lushang Freda and Shandong Commercial that, as a result of the business restructuring and operational changes in connection with the Disposal, Lushang Freda Associates and/or Shandong Commercial Associates (as the case may be) had been engaging in direct sales of unsold properties and car parks. However, going forward, the parties expect that the Group will resume the provision of the Property Agency Services to Shandong Commercial Associates pursuant to the Supplemental Master Property Agency Services Agreement and the New Master Property Agency Services Agreement.

Proposed annual caps

The proposed caps under the New Master Property Agency Services Agreement for the two years ending December 31, 2025 are RMB6.2 million and RMB6.2 million, respectively.

The above annual caps were determined with reference to, among other things, (i) the historical transaction amounts; (ii) the estimated number and property value of the properties which will require the Property Agency Services for the two years ending December 31, 2025 based on the existing projects available for sale and projects under development and land bank of Lushang Freda Associates (prior to the Disposal) as of December 31, 2022; (iii) the prevailing market rate for the provision of similar property agency services; and (iv) the capacity of the Group in providing the Property Agency Services for the two years ending December 31, 2025.

Reasons for and benefits of entering into the New Master Property Agency Services Agreement

The Group has been engaged by Lushang Freda Associates to provide the Property Agency Services since 2018. The Group will continue to provide the Property Agency Services to Shandong Commercial Associates after the Disposal in its ordinary and usual course of business for earning revenue, thus it is in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors, whose view will be provided after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the New Master Property Agency Services Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(iv) New Master Parking Lots Entrusted Management Services Agreement

Date

November 20, 2023

Parties

- (a) the Company; and
- (b) Shandong Commercial.

Term

Subject to compliance with the Listing Rules, from January 1, 2024 to December 31, 2025 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

Under the New Master Parking Lots Entrusted Management Services Agreement, the Group has agreed to provide the Parking Lots Entrusted Management Services to Shandong Commercial Associates. Under such arrangement, the Group is entrusted with full authority to operate and manage the parking lots and entitled to receive the income generated from the Parking Lots Entrusted Management Services and will pay to Shandong Commercial Associates an amount equal to a pre-agreed percentage of the income generated from the Parking Lots Entrusted Management Services (after deducting the operating costs).

Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the New Master Parking Lots Entrusted Management Services Agreement.

Pricing policy

The fees to be paid by the Group shall be determined on arm's length basis with reference to (i) the prevailing market price for similar services in the vicinity of the projects taking into account the location and type of the parking lots; (ii) the estimated operating costs under the operational management of the Group; and (iii) the estimated total revenue generated from the Parking Lots Entrusted Management Services.

Payment arrangement

The payment mechanism for all fees and payments pursuant to the New Master Parking Lots Entrusted Management Services Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Historical transaction amount

The existing annual caps for the year ended December 31, 2022 and for the year ending December 31, 2023 under the Existing Master Parking Lots Entrusted Management Services Agreement will not exceed RMB1.8 million and RMB2.2 million, respectively.

The actual transaction amounts for the year ended December 31, 2022 and the six months ended June 30, 2023 under the Existing Master Parking Lots Entrusted Management Services Agreement were RMB0.8 million and nil, respectively.

In respect of the nil transaction amount for the six months ended June 30, 2023, after the expiry of the contracts with Lushang Freda Associates by the end of December 31, 2022, the Group had been negotiating for new contracts with Lushang Freda Associates. However, up to the Latest Practicable Date, no contract has been signed with any Lushang Freda Associates and therefore, the actual transaction amount was nil.

The Group subsequently understands from Lushang Freda and Shandong Commercial that, as a result of the business restructuring and operational changes in connection with the Disposal, Lushang Freda Associates and/or Shandong Commercial Associates (as the case may be) had been operating and managing the parking lots on their own. However, going forward, the parties expect that the Group will resume the provision of the Parking Lots Entrusted Management Services to Shandong Commercial Associates pursuant to the Supplemental Master Parking Lots Entrusted Management Services Agreement and the New Master Parking Lots Entrusted Management Services Agreement.

Proposed annual caps

The proposed caps under the New Master Parking Lots Entrusted Management Services Agreement for the two years ending December 31, 2025 are RMB0.8 million and RMB0.8 million, respectively.

The above annual caps were determined with reference to, among other things, (i) the historical transaction amounts; (ii) the prevailing market price for similar services in the vicinity of the parking lots projects, having taken into account the location and type of the parking lots; and (iii) the capacity of the Group in providing the Parking Lots Entrusted Management Services for the two years ending December 31, 2025.

Reasons for and benefits of entering into the New Master Parking Lots Entrusted Management Services Agreement

The Group has been engaged by Lushang Freda Associates to provide the Parking Lots Entrusted Management Services since 2018. It is expected that the Group will continue to provide the Parking Lots Entrusted Management Services to Shandong Commercial Associates after the Disposal in its ordinary and usual course of business for earning revenue, thus it is in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors, whose view will be provided after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the New Master Parking Lots Entrusted Management Services Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(v) New Master Property Management And Related Services Agreement

Date

November 20, 2023

Parties

- (a) The Company; and
- (b) Shandong Commercial.

Term

Subject to compliance with the Listing Rules, from January 1, 2024 to December 31, 2025 (both days inclusive). The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

Under the New Master Property Management and Related Services Agreement, the Group has agreed to provide the Property Management and Related Services primarily to Shandong Commercial Associates.

As Lushang Freda Associates still require the Group to provide the Property Management and Related Services for the commercial properties held by them for their own use after the Disposal, the Group will continue to provide the Property Management and Related Services to Lushang Freda Associates in this regard.

Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the New Master Property Management and Related Services Agreement.

Pricing policy

The fees to be charged for the Property Management and Related Services shall be determined on arm's length negotiations with reference to (i) the size, location and positioning of the properties; (ii) the scope of services to be provided; (iii) the anticipated operational costs (including but not limited to labor costs, administration costs and costs of materials); (iv) the fees for similar services and similar types of projects in the market; and (v) the prices charged by the Group for providing comparable services to Independent Third Parties.

Payment arrangement

The payment mechanism for all fees and payments pursuant to the New Master Property Management and Related Services Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Historical transaction amount

The existing annual caps under the Existing Master Property Management and Related Services Agreement (as amended by the Supplemental Master Property Management and Related Services Agreement and subject to the approval by the Independent Shareholders at the EGM) for the year ended December 31, 2022 and for the year ending December 31, 2023 are as follows:

	For the year ended December 31, 2022 (RMB'million)	For the year ending December 31, 2023 (RMB'million)
Lushang Freda Associates	78.0	82.4
Shandong Commercial Associates	14.0	52.0
Total	92.0	134.4

The historical transaction amounts under the Existing Master Property Management and Related Services Agreement for the year ended December 31, 2022 and the six months ended June 30, 2023 were as follows:

	For the year ended December 31, 2022 (RMB'million)	For the six months ended June 30, 2023 (RMB'million)
Lushang Freda Associates	53.2	14.1
Shandong Commercial Associates	<u>13.2</u>	<u>18.8</u>
Total	<u>66.4</u>	<u>32.9</u>

Proposed annual caps

The proposed caps under the New Master Property Management and Related Services Agreement for the two years ending December 31, 2025 are as follows:

	For the year ending December 31, 2024 (RMB'million)	For the year ending December 31, 2025 (RMB'million)
Lushang Freda Associates	5.0	6.0
Shandong Commercial Associates	<u>75.0</u>	<u>86.0</u>
Total	<u>80.0</u>	<u>92.0</u>

The above annual caps were determined with reference to, among other things, the following factors:

- (i) the historical transaction amount;
- (ii) the estimated revenue of the Property Management and Related Services to be recognized by the Group based on the existing contracts with Lushang Freda Associates and Shandong Commercial Associates;

- (iii) the estimated increment of the GFA for properties under development and contracted sales GFA of Shandong Commercial Associates for the two years ending December 31, 2025, which is estimated based on the development plan and delivery schedule of Shandong Commercial Associates;
- (iv) in respect of the property pre-delivery services, (a) the estimated GFA and number of projects to be sold by Shandong Commercial Associates for the two years ending December 31, 2025 and the estimated number of the sales offices and display units to be established in the relevant period based on the development plan and the land bank of Lushang Freda Associates (prior to the Disposal) as of December 31, 2022, as well as their historical sales GFA and the related growth rate; (b) the bidding success rate and the estimated capacity of the Group for the two years ending December 31, 2025; and (c) the estimated service fee based on the historical service fee and the expected increase in operational costs associated with the provision of property pre-delivery services, including but not limited to labor costs, administration costs and costs of materials;
- (v) in respect of the property management services to be provided for the unsold residential properties, (a) the estimated GFA of the unsold residential properties developed or to be developed by Shandong Commercial Associates for the two years ending December 31, 2025, which is estimated based on the land bank of Lushang Freda Associates (prior to the Disposal), the total GFA under development as of December 31, 2022, as well as their development plan and delivery schedule; and (b) the estimated service fee per sq.m. which management services will be charged based on the historical service fee and the expected increase in operational costs associated with the provision of such services; and
- (vi) in respect of the property management services to be provided for the commercial properties, the estimated GFA and number of commercial properties developed or used by Shandong Commercial Associates to be managed by the Group for the two years ending December 31, 2025 as estimated based on the existing contracts with Lushang Freda Associates (prior to the Disposal) and Shandong Commercial Associates and the land bank of Lushang Freda Associates (prior to the Disposal) as of December 31, 2022.

Reasons for and benefits of entering into the New Master Property Management and Related Services Agreement

The Group has been engaged by Lushang Freda Associates and/or Shandong Commercial Associates to provide the Property Management and Related Services since 2006. It is expected that the Group will continue to do so in its ordinary and usual course of business for earning revenue, thus it is in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors, whose view will be provided after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the New Master Property Management and Related Services Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Listing Rules implications

As of the date of this announcement, Shandong Commercial is a controlling shareholder of the Company, and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the (i) New Master Engineering Services Agreement; (ii) New Master Design Services Agreement; (iii) New Master Property Agency Services Agreement; (iv) New Master Parking Lots Entrusted Management Services Agreement; and (v) New Master Property Management and Related Services Agreement will constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the highest annual cap for each of the New Master Engineering Services Agreement and the New Master Design Services Agreement exceeds 5%, each of the New Master Engineering Services Agreement, the New Master Design Services Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the New Master Property Agency Services Agreement, the New Master Parking Lots Entrusted Management Services Agreement and the New Master Property Management and Related Services Agreement were all entered into by the Company with Shandong Commercial and the transactions are similar in nature, the transactions under the three agreements shall be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of transactions under the New Master Property Agency Services Agreement, the New Master Parking Lots Entrusted Management Services Agreement and the New Master Property Management and Related Services Agreement are aggregated, and such aggregated amounts are used when calculating the relevant percentage ratios under the Listing Rules.

As the highest applicable ratio in respect of the highest annual cap under the New Master Property Agency Services Agreement, the New Master Parking Lots Entrusted Management Services Agreement and the New Master Property Management and Related Services Agreement as aggregated exceeds 5%, the New Master Property Agency Services Agreement, the New Master Parking Lots Entrusted Management Services Agreement, the New Master Property Management and Related Services Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole.

The relevant personnel and management of the Group will review and assess the terms before entering into each individual agreement to ensure they are consistent with the principles and provisions set out in each of the Supplemental Agreements and the New Agreements.

In order to ensure the price terms are in accordance with the Supplemental Agreements and the New Agreements and with reference to prevailing market prices of similar services, before entering into any individual agreement, the business development department will refer to the following information:

- (a) at least three other contemporaneous transactions of the Group of similar services (in terms of nature, size and location of the properties, the scope of services and the anticipated operational costs) provided to Independent Third Parties; and
- (b) prices charged by at least three other property management companies in the PRC (if available) of comparable transactions with Independent Third Parties collected through, among others, information exchange within the industry and publicly available tender information.

After collecting the relevant information, the business development department of the Group would determine a price to be offered to Lushang Freda Associates and Shandong Commercial Associates (as the case may be) which will not be less than the prices offered by the Group to Independent Third Parties for transactions contemplated under the Supplemental Master Engineering Services Agreement, the New Master Engineering Services Agreement, the Supplemental Master Design Services Agreement, the New Master Design Services Agreement, the Supplemental Master Property Agency Services Agreement, the New Master Property Agency Services Agreement, the Supplemental Master Property Management and Related Services Agreement and the New Master Property Management and Related Services Agreement. Regarding the Parking Lots Entrusted Management Services to be provided under the Supplemental Master Parking Lots Entrusted Management Services Agreement and the New Master Parking Lots Entrusted Management Services Agreement, the price to be offered to Lushang Freda Associates and Shandong Commercial Associates which will not be more than the price paid by the Group to Independent Third Parties.

In respect of all of its continuing connected transactions, the Company has also established monitoring procedures in which various departments of the Group will be responsible for the implementation, monitoring and review of such procedures. Regular checks will be conducted on a quarterly basis to review and assess whether the transactions contemplated under the Supplemental Agreements and the New Agreements are conducted in accordance with the terms of its respective agreement and the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy.

Further, the finance department of the Group will monitor the actual transaction amounts and monthly report will be made by the management team in relation to the aggregate transaction amounts and utilization rates of the annual caps to ensure that the annual caps under each of the Supplemental Agreements and the New Agreements will not be exceeded.

In addition, where a threshold of 80% of the utilization rate is met, the finance department will alert the management team to consider revising the annual caps in accordance with the relevant requirements of the Listing Rules.

The independent non-executive Directors will continue to review the transactions contemplated under the Supplemental Agreements and the New Agreements and the auditors of the Company will also conduct an annual review on the pricing terms and proposed annual caps of the relevant continuing connected transactions thereof.

RECTIFICATION OF BREACH OF THE LISTING RULES

The Company has been monitoring the utilization of the annual caps under the Existing Master Engineering Services Agreement, the Existing Master Design Services Agreement and the Existing Master Property Management and Related Services Agreement since the Listing Date by keeping track of the transaction amounts by each entity originally grouped under Lushang Freda Associates and Shandong Commercial Associates. Based on the originally grouping of these entities of Lushang Freda Associates and Shandong Commercial Associates, the original annual caps set for the year ending December 31, 2023 for Lushang Freda Associates and Shandong Commercial Associates were not exceeded.

However, during the review of the shareholding structure of Lushang Freda Associates and Shandong Commercial Associates for the purpose of preparing the interim results of the Group for the six months ended June 30, 2023, it has come to the attention of the Group that Lushang Freda was in the process of disposing of its real estate business to Shandong Urban and Rural Development Group Co., Ltd. (山東省城鄉發展集團有限公司), a wholly-owned subsidiary of Shandong Commercial (the “**Disposal**”) during the six months ended June 30, 2023. The Disposal has partially been completed in or before late April 2023, and as at the date of this announcement, the Disposal has been fully completed.

As a result of the Disposal, some of the entities which were originally grouped as Lushang Freda Associates should be reclassified as Shandong Commercial Associates. As such, the original annual caps set under the Existing Master Engineering Services Agreement and the Existing Master Property Management and Related Services Agreement for Shandong Commercial Associates had been exceeded.

For the avoidance of doubt, no transaction amounts with Shandong Commercial Associates were incurred under the Existing Master Property Agency Services Agreement and the Existing Master Parking Lots Entrusted Management Services Agreement as at the date of this announcement.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the announcement and shareholders' approval requirements. As the Company has not revised the annual caps for Shandong Commercial Associates under the Existing Master Engineering Services Agreement and the Existing Master Property Management and Related Services Agreement in a timely manner to cater for the Disposal, this constituted a breach of Chapter 14A of the Listing Rules. The Board wishes to emphasize that such breach was due to passive action of the Group and was technical, and the Board reiterates its belief that continuing compliance with the Listing Rules and other applicable regulatory requirements is of utmost importance.

To prevent reoccurrence of similar breaches of the Listing Rules in the future, the Company has communicated with Lushang Freda and Shandong Commercial the compliance requirements of the continuing connected transactions under Chapter 14A of the Listing Rules and requested them to timely inform the Company on any event that may affect the terms of the continuing connected transactions conducted among them to enable the Company to make timely assessment and ensure compliance with the Listing Rules. The Company has specifically requested Lushang Freda and Shandong Commercial to confirm a list of entities under Lushang Freda Associates and Shandong Commercial Associates on a monthly basis.

INFORMATION ON THE PARTIES

The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC.

Shandong Commercial is a large-scale holding company with a wider range of investments in retail business, property development, biopharmaceuticals, drug research and development, medical facilities design and education, among other sectors, which is controlled by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會).

Lushang Freda is principally engaged in the research and development, production and sales of pharmaceutical products, health food, cosmetics, medical devices and raw materials, and is owned as to approximately 51.62% by Shandong Commercial and 1.69% by Lushang Group Co., Ltd., a company owned as to approximately 68.15% by Shandong Commercial.

BOARD APPROVAL

At the Board meeting held to approve the Supplemental Agreements and the New Agreements, none of the Directors was considered as having a material interest in the Supplemental Agreements, the New Agreements and the transactions contemplated thereunder. Therefore, none of the Directors was required to abstain from voting on the relevant Board resolutions.

GENERAL INFORMATION

The Company will convene and hold the EGM at which Independent Shareholders will, among other things, consider and if thought fit, approve the Supplemental Agreements, the New Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor).

Voting at the EGM will be conducted by way of poll. Shandong Commercial Associates shall abstain from voting on the proposed resolution approving the Supplemental Agreements, the New Agreements and the transactions contemplated thereunder at the EGM.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders on the Supplemental Agreements, the New Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor). Dongxing has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further information on the Supplemental Agreements, the New Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before December 8, 2023.

DEFINITIONS

“associate(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司) (formerly known as Shandong Lushang Property Services Co., Ltd. (山東魯商物業服務有限公司)), a company established in the PRC with limited liability on March 24, 2006 and converted into a joint stock company with limited liability on March 12, 2021 and the H Shares of which are listed on the Stock Exchange (stock code: 2376)
“connected person(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	has the meaning ascribed to it under the section headed “Rectification of breach of the Listing Rules”
“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 Renminbi
“Effective Date”	the date immediately following the EGM
“EGM”	the 2023 third extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held for the purpose of considering and, if thought fit, approving, the Supplemental Agreements, the New Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor)

“Existing Master Design Services Agreement”	the master design services agreement entered into by the Company and Shandong Commercial on June 22, 2022
“Existing Master Engineering Services Agreement”	the master engineering services agreement entered into by the Company and Shandong Commercial on June 22, 2022
“Existing Master Parking Lots Entrusted Management Services Agreement”	the master parking lots entrusted management services agreement entered into by the Company and Lushang Freda on June 22, 2022
“Existing Master Property Agency Services Agreement”	the master property agency services agreement entered into by the Company and Lushang Freda on June 22, 2022
“Existing Master Property Management and Related Services Agreement”	the master property management and related services agreement entered into by the Company and Shandong Commercial on June 22, 2022
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 listed on the Main Board of the Stock Exchange and subscribed for and traded in Hong Kong dollars
“Independent Board Committee”	the independent board committee established by the Board, comprising all the independent non-executive Directors, namely Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao, to advise the Independent Shareholders in respect of the Supplemental Agreements, the New Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor)

“Independent Financial Adviser” or “Dongxing”	Dongxing Securities (Hong Kong) Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreements, the New Agreements and the transactions contemplated thereunder (including the proposed annual caps therefor)
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the relevant resolution with respect to the Supplemental Agreements, the New Agreements and the transactions contemplated thereunder
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Date”	the date of the listing of the Shares on the Stock Exchange, being July 8, 2022
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lushang Freda”	Lushang Freda Pharmaceutical Co., Ltd. (魯商福瑞達醫藥股份有限公司) (formerly known as Lushang Health Industry Development Co., Ltd. (魯商健康產業發展股份有限公司)), a joint stock company established in the PRC with limited liability on April 21, 1993, whose shares are listed on the Shanghai Stock Exchange (stock code: 600223) and a controlling shareholder of the Company

“Lushang Freda Associates”	Lushang Freda and its associates
“New Agreements”	the (i) New Master Engineering Services Agreement; (ii) New Master Design Services Agreement; (iii) New Master Property Agency Services Agreement; (iv) New Master Parking Lots Entrusted Management Services Agreement; and (v) New Master Property Management and Related Services Agreement, collectively
“New Master Design Services Agreement”	the master design services agreement entered into by the Company and Shandong Commercial on November 20, 2023
“New Master Engineering Services Agreement”	the master engineering services agreement entered into by the Company and Shandong Commercial on November 20, 2023
“New Master Parking Lots Entrusted Management Services Agreement”	the master parking lots entrusted management services agreement entered into by the Company and Shandong Commercial on November 20, 2023
“New Master Property Agency Services Agreement”	the master property agency services agreement entered into by the Company and Shandong Commercial on November 20, 2023
“New Master Property Management and Related Services Agreement”	the master property management and related services agreement entered into by the Company and Shandong Commercial on November 20, 2023
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated June 27, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Commercial”	Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司), a company established in the PRC with limited liability on November 26, 1992 and a controlling shareholder of the Company

“Shandong Commercial Associates”	Shandong Commercial and its associates (excluding Lushang Freda Associates)
“Share(s)”	ordinary shares with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Domestic Share(s) and H Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	shall have the same meaning as ascribed to it under the Listing Rules
“Supplemental Agreements”	the (i) Supplemental Master Engineering Services Agreement; (ii) Supplemental Master Design Services Agreement; (iii) Supplemental Master Property Management and Related Services Agreement; (iv) Supplemental Master Parking Lots Entrusted Management Services Agreement; and (v) Supplemental Master Property Agency Services Agreement, collectively
“Supplemental Master Design Services Agreement”	the supplemental agreement to the Existing Master Design Services Agreement entered into by the Company and Shandong Commercial on November 20, 2023
“Supplemental Master Engineering Services Agreement”	the supplemental agreement to the Existing Master Engineering Services Agreement entered into by the Company and Shandong Commercial on November 20, 2023
“Supplemental Master Parking Lots Entrusted Management Services Agreement”	the supplemental agreement to the Existing Master Parking Lots Entrusted Management Services Agreement entered into by the Company, Lushang Freda and Shandong Commercial on November 20, 2023
“Supplemental Master Property Agency Services Agreement”	the supplemental agreement to the Existing Master Property Agency Services Agreement entered into by the Company, Lushang Freda and Shandong Commercial on November 20, 2023

“Supplemental Master
Property Management and
Related Services
Agreement”

the supplemental agreement to the Existing Master
Property Management and Related Services Agreement
entered into by the Company and Shandong Commercial on
November 20, 2023

By order of the Board
Lushang Life Services Co., Ltd.
Wang Zhongwu
Chairman and executive Director

Jinan, the PRC, November 20, 2023

As at the date of this announcement, the Board comprises Mr. WANG Zhongwu as Chairman and executive Director, 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.