

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2376)

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
CAPITAL INCREASE AND DEEMED DISPOSAL
OF EQUITY INTEREST IN A SUBSIDIARY
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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

A letter from the Board is set out on pages 6 to 19 of this circular. and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-22 of this circular.

A notice convening the EGM to be held at 38th Floor, Block 5, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC on Friday, June 27, 2025 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.lushangfuwu.com).

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

May 30, 2025

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Auditor”	ShineWing Certified Public Accountants (Special General Partnership), the reporting auditor of the Company;
“Board”	the board of Directors;
“Capital Contribution Sum”	the aggregate amount of the Capital Increase being RMB36,320,000.00;
“Capital Increase”	the proposed capital contribution in the Target Company in an aggregate amount of RMB36,320,000.00 by the Investor pursuant to the Capital Increase Agreement;
“Capital Increase Agreement”	the capital increase agreement dated March 21, 2025 and entered into between the Company, the Investor and the Target Company in relation to the Capital Increase;
“Company”	Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, its H Shares are listed and traded on the main board of the Stock Exchange (stock code: 2376);
“Completion”	completion of the Capital Increase in accordance with the Capital Increase Agreement;
“Conditions Precedent”	conditions precedent to the Completion, details of which are set out in the paragraph headed “Conditions Precedent” in this circular;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB;

DEFINITIONS

“EGM”	the first extraordinary general meeting of the Company in 2025 (or any adjournment thereof) to be convened and held to consider and, if thought fit, approve the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder;
“Green Development”	Shandong Urban and Rural Green Industry Development Investment Co., Ltd. (山東省城鄉綠色產業發展投資有限公司), a wholly-owned subsidiary of Shandong Urban and Rural, which holds 4,900,000 Domestic Shares, representing approximately 3.67% of the Company’s entire issued share capital;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, namely Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao, which has been established to make recommendations to the Independent Shareholders on the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder;
“Independent Financial Adviser”	Silverbricks Securities Company Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder;
“Independent Shareholders”	the Shareholders, other than the Investor and its associates, who have no material interest in the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder to be proposed at the EGM and are not required under the Listing Rules to abstain from voting at the EGM;

DEFINITIONS

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial Shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates;
“Independent Valuer”	Shandong Xintiandi Land and Real Estate Assets Appraisal Co., Ltd.* (山東新天地土地房地產資產評估有限公司), an Independent Third Party;
“Investor”	Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公司) and a company established in the PRC with limited liability, a wholly-owned subsidiary of Shandong Urban and Rural;
“Latest Practicable Date”	May 29, 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	the last day of the 90-day period after the date of the Capital Increase Agreement (or such later date as the parties to the Capital Increase Agreement may agree in writing);
“Lushang Freda”	Lushang Freda Pharmaceutical Co., Ltd. (魯商福瑞達醫藥股份有限公司), (i) a non-wholly owned subsidiary of Shandong Commercial; (ii) a controlling Shareholder holding 95,100,000 Domestic Shares, which represents approximately 71.32% of the entire issued share capital of the Company; and (iii) a joint stock company established in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (stock code: 600223)
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan;

DEFINITIONS

“Registration of Change”	relevant procedures in respect of the Capital Increase, including but not limited to (i) the register of members of the Target Company to be revised; and (ii) such necessary changes of industrial and commercial registration;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shandong Commercial”	Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司), owned by Shandong SASAC as to 70% of its equity interest, is a company established in the PRC with limited liability and the controlling Shareholder of the Company; and Shandong Commercial together with its associates, hold and/or entitled to exercise control over 100,000,000 Domestic Shares, representing approximately 75.00% of the Company’s entire issued share capital;
“Shandong SASAC”	Shandong Provincial State-Owned Assets Supervision and Administration Commission (山東省人民政府國有資產監督管理委員會);
“Shandong Urban and Rural”	Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shandong Commercial, the controlling Shareholder of the Company;
“Share(s)”	Domestic Share(s) and/or H Share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Supervisor(s)”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of the Company as at the Latest Practicable Date and immediately prior to Completion;

DEFINITIONS

“Valuation”	the appraisal of the net asset value of 100% of the equity interest in the Target Company as at the Valuation Benchmark Date, as appraised by the Independent Valuer;
“Valuation Benchmark Date”	August 31, 2024, being the valuation reference date of the appraised net asset value of the Target Company;
“Valuation Report”	the valuation report dated November 13, 2024 issued by the Independent Valuer with respect to the Valuation;
“Working Day”	a day on which licensed banks are open for general banking business in the PRC; and
“%”	per cent.

For the purposes of this circular, unless the context requires otherwise, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.93. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

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

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

** For identification purpose only*



Lushang Life Services Co., Ltd.

魯商生活服務股份有限公司

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

(Stock Code: 2376)

Executive Directors

Mr. WANG Zhongwu (*Chairman*)

Mr. NING Daoju

Mr. SHAO Meng

Non-executive Directors

Ms. LUO Ye

Ms. LI Han

Independent non-executive Directors

Ms. LEUNG Bik San

Ms. CHEN Xiaojing

Mr. MA Tao

Registered office and

headquarters in the PRC

Room 202, Block 2

Lushang Guo'ao City

No. 9777 Jingshi Road

Lixia District, Jinan

Shandong, the PRC

Principal place of business in Hong Kong

40/F, Dah Sing Financial Centre

248 Queen's Road East,

Wanchai

Hong Kong

May 30, 2025

To the Shareholders

Dear Sir/Madam,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
CAPITAL INCREASE AND DEEMED DISPOSAL
OF EQUITY INTEREST IN A SUBSIDIARY
AND**

(II) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Company's announcement dated March 21, 2025 in relation to, amongst other things, the Capital Increase Agreement and the Capital Increase.

LETTER FROM THE BOARD

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

THE CAPITAL INCREASE

On March 21, 2025 (after trading hours of the Stock Exchange), the Company entered into the Capital Increase Agreement with the Investor and the Target Company, pursuant to which the Investor has conditionally agreed to inject capital in the amount of RMB36,320,000.00 (equivalent to approximately HK\$39,053,763.00) into the Target Company in the form of registered capital and capital reserves, of which RMB20,820,000.00 (equivalent to approximately HK\$22,387,097.00) and RMB15,500,000.00 (equivalent to approximately HK\$16,666,666.00) shall be recognised as the registered share capital and the capital reserves of Target Company, respectively.

THE CAPITAL INCREASE AGREEMENT

The principal terms and conditions of the Capital Increase Agreement are set out as follows:

Date

March 21, 2025 (after trading hours of the Stock Exchange)

Parties to the Capital Increase Agreement

- (1) The Company;
- (2) The Investor; and
- (3) The Target Company.

Subject Matter

Pursuant to the Capital Increase Agreement, the Investor has conditionally agreed to inject capital in the amount of RMB36,320,000.00 (equivalent to approximately HK\$39,053,763.00) into the Target Company in the form of registered capital and capital reserves, of which RMB20,820,000.00 (equivalent to approximately HK\$22,387,097.00) and RMB15,500,000.00 (equivalent to approximately HK\$16,666,666.00) shall be recognised as the registered share capital and the capital reserves of Target Company, respectively.

LETTER FROM THE BOARD

Upon Completion, the registered capital of the Target Company will be increased from RMB20,000,000.00 to RMB40,820,000.00 and the Target Company will be owned by the Investor and the Company as to 51% and 49% of its enlarged equity interest, respectively, and following the Capital Increase, the Target Company will cease to be a subsidiary of the Company and, accordingly, the financial results of the Target Company will no longer be consolidated in the Group's accounts. The Target Company will be accounted for an associate of the Company.

Capital Contribution Sum and Payment Terms

The Investor shall pay the Capital Contribution Sum in the amount of RMB36,320,000.00 (equivalent to approximately HK\$39,053,763.00) by way of cash contribution to the Target Company within ten (10) Working Days upon fulfillment of the Conditions Precedent.

Basis of the Capital Contribution Sum and Valuation of the Target Company

The Capital Contribution Sum was arrived at after arm's length negotiations among the parties to the Capital Increase Agreement with reference to:

- (i) the appraised net asset value of the Target Company as at the Valuation Benchmark Date in the amount of approximately RMB34,887,800.00 (equivalent to approximately HK\$37,513,763.00) in the Valuation Report issued by the Independent Valuer; and
- (ii) the benefits to be derived by the Group from the Capital Increase as stipulated in the section headed "**Reasons for and benefits of the Capital Increase**" below.

In order to assess the fairness and reasonableness of the Consideration, the Independent Valuer has been engaged for the Valuation of the equity interest in the Target Company.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, it is not aware of any relationships or interests between the Independent 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 equity interest in the Target Company, 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.

LETTER FROM THE BOARD

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 equity interest in the Target Company.

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 RMB34,887,800.00 (equivalent to approximately HK\$37,513,763.00) 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. 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 real estate greening projects and garden greening maintenance 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 greening projects; and last but not least, global economy was still struggling from the global trade and political tensions. The above factors reflected that if the income approach was adopted, there will be uncertainty in appraisal.

LETTER FROM THE BOARD

- (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 valuation results.

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 who abstained from voting at the Board meeting in respect of the resolutions approving the Capital Increase due to his material interest in the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder), consider that the results of the Valuation reflected the value of the equity interest in the Target Company and are fair and reasonable, and that the Capital Contribution Sum 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.

LETTER FROM THE BOARD

Conditions Precedent

The completion of the transactions contemplated under the Capital Increase Agreement is conditional upon, among other things, the fulfilment or waiver (as the case may be) of the following conditions following the execution of the Capital Increase Agreement:

- A. the Company, the Investor and the Target Company have respectively made valid decisions to approve the execution and the performance of the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder and obtained the authorisation document from the relevant state-owned assets supervision and administration department or its authorised bodies;
- B. the Company, the Investor and the Target Company have respectively executed and delivered all documents in relation to the Capital Increase, including but not limited to the Capital Increase Agreement, the amended articles of association of the Target Company and resolutions of their respective shareholders;
- C. the pre-emptive right, option for purchase, etc. of the Company or any third party in connection with the Capital Increase have been duly waived in writing;
- D. the absence of laws, regulations, judgments, rulings, orders or injunctions of the courts or relevant government authorities which would restrict, prohibit or repeal the Capital Increase;
- E. the necessary internal and external approval(s) to the Investor's execution and performance of the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder having been obtained, including but not limited to the approvals from Shandong Commercial, the relevant state-owned assets supervision and administration department or its authorised bodies;
- F. the approvals to the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder from the Independent Shareholders at the EGM to be convened having been obtained from the Independent Shareholders; and
- G. all necessary approvals of the Stock Exchange in connection with the transactions contemplated under the Capital Increase Agreement having been obtained.

LETTER FROM THE BOARD

The Conditions Precedent stipulated above cannot be waived, and in the event that any of the Conditions Precedent has not been satisfied on or before the Long Stop Date (subject to the extension of which as agreed in writing by the parties to the Capital Increase Agreement), the Capital Increase Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other under the Capital Increase Agreement save and except for rights and remedies available to the non-defaulting party in relation to any breach prior to termination.

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

Completion

Completion shall take place on the Completion Date, which shall be within ten (10) Working Days after the fulfillment of the Conditions Precedent.

Registration of Change

Within ten (10) Working Days after the Completion Date, the Investor shall have the right to request the Target Company to complete and fulfill all Registration of Change.

Arrangement during Transition

Upon the Capital Contribution Sum being paid in full and the Investor being entered into the register of members of the Target Company, any interest in the Target Company, together with any undistributed profits of the Target Company prior to the completion of the Registration of Change, shall be proportionally enjoyed by the Company and the Investor in accordance with their respective shareholding in the Target Company upon Completion.

INFORMATION OF THE COMPANY AND THE GROUP

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

LETTER FROM THE BOARD

INFORMATION OF THE INVESTOR

The Investor is a company established in the PRC with limited liability and is principally engaged in property development and construction. It is a direct wholly-owned subsidiary of Shandong Urban and Rural which is an investment holding company established in the PRC with limited liability and a direct 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 Shandong Urban and Rural, 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 direct 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 December 11, 2008 with a registered capital of RMB20,000,000.00.

It is principally engaged in real estate greening projects and garden greening maintenance.

Financial information of the Target Company

The audited consolidated financial information of Target Company for the three years ended December 31, 2022, 2023 and 2024 and for the period from January 1, 2024 to August 31, 2024 prepared in accordance with the China Accounting Standards for Business Enterprises are as follows:

	For the year ended December 31, 2024 (audited) (RMB)	For the period ended August 31, 2024 (audited) (RMB)	For the year ended December 31, 2023 (audited) (RMB)	For the year ended December 31, 2022 (audited) (RMB)
Revenue	56,578,788.19	40,802,445.36	57,804,955.61	78,622,653.91
Profit/(loss) before tax	1,383,770.95	380,984.15	4,198,907.94	6,363,392.02
Profit/(loss) after tax	1,007,565.27	262,964.08	3,540,971.58	4,749,287.09

As at August 31, 2024 and December 31, 2024, the audited net asset value of the Target Company was RMB34,866,617.25 (equivalent to approximately HK\$37,490,986.00) and RMB35,703,901.27 (equivalent to approximately HK\$38,391,292.00), respectively, and according to the Valuation Report, the appraised net asset value of the Target Company was approximately RMB34,887,800.00 (equivalent to approximately HK\$37,513,763.00).

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE CAPITAL INCREASE

Immediately prior to Completion, the Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the registered capital of the Target Company will be increased from RMB20,000,000.00 to RMB40,820,000.00 and the Target Company will be owned by the Investor and the Company as to 51% and 49% of its enlarged equity interest, respectively, and following the Capital Increase, the Target Company will cease to be a subsidiary of the Company and, accordingly, the financial results of the Target Company will no longer be consolidated in the Group's accounts. The Target Company will be accounted for an associate of the Company.

The relevant transaction costs and expenses in respect of the Capital Increase is estimated at approximately RMB190,500.00 (equivalent to approximately HK\$204,839.00). The balance of the investment in associate for the Target Company to be recognised by the Company following the Capital Increase is estimated at approximately RMB34,881,400.00 (equivalent to approximately HK\$37,506,882.00).

The Capital Increase will result in a 51% decrease in the Company's interest in the Target Company. As the Investor invests in the Target Company as a result of the Capital Increase, it is expected that the Capital Increase will give rise to an unaudited gain of approximately RMB15,098,400.00 (equivalent to approximately HK\$16,234,890.00) (before deduction of the abovementioned transaction costs and expenses) to the Company. Such estimated unaudited gain is calculated based on the following two items:

- (a) the difference between (i) the Group's share of the increment of net assets in the Target Company by the new shareholding percentage after the Target Company's new share issuance upon the Capital Increase and (ii) the pro-rata portion of original carrying amount of long term equity investment for the Group's decreased shareholding percentage in the Target Company; and
- (b) the remaining equity interest shall be accounted for by the equity method, recognising the Company's proportionate share of changes in the carrying amount of the Target Company's net assets from the date of initial investment to the date of partial disposal.

It should be noted that the actual gain recognised in the Group's consolidated financial statements will be recalculated based on the net asset value of the Company as at the date of Completion, and therefore it may differ from the amount stated above. The actual financial effect shall be further audited by the Auditor.

The expected net proceeds of approximately RMB36,129,500.00 (equivalent to approximately HK\$38,848,925.00) to be received from the Capital Increase will be used to strengthen the general working capital of the Target Company and actively promote the transformation of its businesses into high-growth sectors like municipal engineering, ecological restoration and vertical greening with exploration of synergistic scenarios with the Group's existing businesses without utilizing further resources of the Group to finance the Target Company.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Group is principally engaged in the provision of (i) a wide range of property management services for property developers, property owners, residents and tenants; (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.

Meanwhile, the Target Company is principally engaged in real estate greening projects and garden greening maintenance.

With the national policy emphasizing on green development, the landscape industry is shifting from "scale expansion" to "quality improvement" and the profitability of traditional greening projects decline as a result of the decrease in the incremental volume of real estate. There is a mismatch between the existing business structure (relying on traditional real estate and landscape projects) of the Target Company and the long-term trend, resulting in the urgent demand for the Target Company to transform its businesses through asset restructuring.

The Investor was established in September 1992 with a registered capital of RMB50,000,000, which was wholly owned by Shandong Urban and Rural. As of December 31, 2023, its assets, liabilities and net assets amounted to RMB113,548,100, RMB95,958,800 and RMB17,589,300, respectively. The Investor has a forward-looking construction management service team. In 2012, it spearheaded its construction business in the province, which was the leader of construction business in the province. It has created numerous premium cases for the government and platform companies in terms of property construction and operation services, such as schools, hospitals, commercial complexes, office buildings, stadiums and residential buildings, with the accumulated construction management area amounting to approximately 2,900,000 square meters, thereby accumulating extensive experience in full-process project management services.

As the Investor has abundant resources in landscape and gardening projects with diversified portfolios, the competitiveness of the Target Company among the landscaping industry would be strengthened, its scope of business will be substantially expanded and it is expected that the expansion into municipal construction projects would generate substantial revenue stream to the Target Company. Given that upon Completion, the Target Company will be an associate of the Group and continue to serve as an important part of the Group's investment. Although the Group no longer holds a controlling stake in the Target Company, it will assist the Investor in introducing strategic investors or new shareholders, promoting the transformation of businesses of the Target Company into high-growth sectors like municipal engineering, ecological restoration and vertical greening, as well as exploring synergistic scenarios (such as cooperation in community greening operation and maintenance) with the Group's existing businesses. The return of the Group's investment in the Target Company will be enhanced without the need to further use its own resources to finance the Capital Increase of the Target Company.

LETTER FROM THE BOARD

Taking into account of all factors 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 who abstained from voting at the Board meeting in respect of the resolutions approving the Capital Increase due to his material interest in the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder) consider that the Capital Increase is on normal commercial terms and the terms of the Capital Increase Agreement (including the Capital Contribution Sum) 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 Investor is an indirect 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 Investor is a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and the Capital Increase pursuant to the Capital Increase Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Upon Completion, the Target Company will cease to be a subsidiary of the Company. Thus, the Capital Increase pursuant to the Capital Increase Agreement constitutes a deemed disposal of the Target Company by the Company under Rule 14.29 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 Capital Increase exceeds 5% but all of them are less than 25%, the Capital Increase pursuant to the Capital Increase 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 Capital Increase exceeds 5% and the total consideration of the Capital Increase being more than HK\$10,000,000.00, the Capital Increase pursuant to the Capital Increase 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 Capital Increase Agreement, the Capital Increase 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.

LETTER FROM THE BOARD

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Capital Increase 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 Capital Increase Agreement and the Capital Increase are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on whether to vote in favour of the resolutions to be proposed for approving the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder at the EGM.

DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, Mr. Wang Zhongwu is a director of Shandong Urban and Rural. Accordingly, Mr. Wang Zhongwu has considered himself to have a material interest in the Capital Increase Agreement and has abstained from voting on the relevant resolution(s) of the Board approving the Capital Increase Agreement, the Capital Increase 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, June 27, 2025 at 10:30 a.m. to consider and, if thought fit, approve, among other things, the Capital Increase Agreement, the Capital Increase 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 Capital Increase Agreement, the Capital Increase 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 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 Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder, no Shareholder has a material interest in the Capital Increase and accordingly, no Shareholder and his/her/its associates (other than Shandong Commercial and its associates) are therefore required to abstain from voting on the relevant resolution(s) to approve, amongst other things, the Capital Increase to be proposed at the EGM.

LETTER FROM THE BOARD

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, June 24, 2025 to Friday, June 27, 2025 (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, June 23, 2025.

LETTER FROM THE BOARD

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 Capital Increase Agreement, the Capital Increase 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 Capital Increase Agreement, the Capital Increase 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) are of the view that the Capital Increase Agreement, the Capital Increase 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 Capital Increase pursuant to the Capital Increase Agreement and its Completion are subject to the fulfilment of the Conditions Precedent set out in the Capital Increase 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



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)

May 30, 2025

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
CAPITAL INCREASE AND DEEMED DISPOSAL
OF EQUITY INTEREST IN A SUBSIDIARY**

We refer to the circular dated May 30, 2025 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

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

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 19 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder, as set out on pages IFA-1 to IFA-22 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

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

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

Ms. CHEN Xiaojing
*Independent non-executive
Director*

Mr. MA Tao
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

30 May 2025

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO CAPITAL INCREASE AND DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee and the independent shareholders of Lushang Life Services Co., Ltd (the “**Company**”) in relation to the Capital Increase. Details of the Capital Increase are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company to the shareholders dated 30 May 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

On March 21, 2025 (after trading hours of the Stock Exchange), the Company entered into the Capital Increase Agreement with the Investor and the Target Company, pursuant to which the Investor has conditionally agreed to inject capital in the amount of RMB36,320,000.00 (equivalent to approximately HK\$39,053,763.00) into the Target Company in the form of registered capital and capital reserves, of which RMB20,820,000.00 (equivalent to approximately HK\$22,387,097.00) and RMB15,500,000.00 (equivalent to approximately HK\$16,666,666.00) shall be recognised as the registered share capital and the capital reserves of Target Company, respectively.

As at the date of the Capital Increase Agreement, the Investor is an indirect 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 Investor is a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and the Capital Increase pursuant to the Capital Increase Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon Completion, the Target Company will cease to be a subsidiary of the Company. Thus, the Capital Increase pursuant to the Capital Increase Agreement constitutes a deemed disposal of the Target Company by the Company under Rule 14.29 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 Capital Increase exceeds 5% but all of them are less than 25%, the Capital Increase pursuant to the Capital Increase 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 Capital Increase exceeds 5% and the total consideration of the Capital Increase being more than HK\$10,000,000.00, the Capital Increase pursuant to the Capital Increase 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.

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

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholder of the Company or any of their respective subsidiaries or their respective associates or connected persons and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Engagement. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, we were engaged as an independent financial adviser to the Company in respect of the discloseable and connected transaction in relation to the disposal of 100% equity interest Shandong HuiBangDa Furbishing Engineering Co., Ltd (details can be referred to in the announcement of the Company dated February 27, 2024 and the circular of the Company dated March 22, 2024, under which we were required to express our opinion on and to give recommendations to the independent non-executive directors of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Company in respect of the relevant transaction. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider ourselves independent and eligible to give independent advice in respect of the Capital Increase.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Capital Increase Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (the “**Management**”) (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Group, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the Company, the Investor, the Target Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Capital Increase. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update, revise or reaffirm this opinion to take into account events occurring after the Latest Practicable Date. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information of the Company and the Group

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information on the Group for the three years ended December 31, 2024 as extracted from the Company's annual results announcement for the year ended December 31, 2024 (the "2024 Annual Results") and annual report for the year ended December 31, 2023 (the "2023 Annual Report"), respectively:

Financial results

	For the year ended December 31,		
	2024	2023	2022
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Revenue			
– Property management services	333,688	317,290	294,099
– Value-added services to non-property owners	129,795	167,941	187,908
– Community value-added services	145,435	135,790	145,727
– Real estate	–	310,932	–
– Leasing	–	24,650	–
Profit for the year/period	45,125	45,907	78,432

According to the 2024 Annual Results and 2023 Annual Report, the Group derived its revenue from (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; (iv) real estate; and (v) leasing.

The completion of the sale and purchase of 100% of the total equity interest in Daantong (Shandong) Mechanical and Electrical Equipment Engineering Co., Ltd.* (達安通(山東)機電設備工程有限責任公司) ("Daantong") (the "Acquisition") took place on March 4, 2024 whereby the Company acquired 100% of the total equity interest in Daantong. After the Acquisition, Daantong's original real estate and leasing business is no longer in operation.

Revenue from Property Management Services

The revenue of the property management services increased by 5.2% from approximately RMB317.3 million for the year ended December 31, 2023 to approximately RMB333.7 million for the year ended December 31, 2024, primarily due to the optimization of the project portfolio and strategic expansion of commercial property business during the corresponding year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The revenue of the property management services increased by 7.9% from approximately RMB294.1 million for the year ended December 31, 2022 to approximately RMB317.3 million for the year ended December 31, 2023, primarily due to the optimization of our project portfolio and strategic expansion of our city services during the corresponding year.

Revenue from Value-added Services to Non-property Owners

The revenue from value-added services to non-property owners decreased by 22.7% from approximately RMB167.9 million for the year ended December 31, 2023 to approximately RMB129.8 million for the year ended December 31, 2024, primarily due to (i) the decrease in the number of projects delivered by property developers during the year ended December 31, 2024 resulting from the downturn of the real estate market, which led to the decrease in the revenue from pre-delivery services; (ii) the decrease in the revenue from landscaping services resulting from the disposal of subsidiary. The revenue from value-added services to non-property owners decreased by 10.6% from approximately RMB187.9 million for the year ended December 31, 2022 to approximately RMB167.9 million for the year ended December 31, 2023, primarily due to the decrease in the number of projects delivered by property developers during the year ended December 31, 2023 resulting from the downturn of the real estate market, which led to the decrease in the revenue from design services and pre-delivery services.

Revenue from Community Value-added Services

The revenue of the community value-added services increased by 7.1% from approximately RMB135.8 million for the year ended December 31, 2023 to approximately RMB145.4 million for the year ended December 31, 2024, primarily due to the increase in the scale of the community sales and community group meals businesses. The revenue of the community value-added services decreased by 6.8% from approximately RMB145.7 million for the year ended December 31, 2022 to approximately RMB135.8 million for the year ended December 31, 2023, primarily due to the decrease in the community sales business.

As depicted by the above table, the net profit of the Group for the year ended December 31, 2024 decreased by 1.7% from approximately RMB45.9 for the year ended December 31, 2023 to approximately RMB45.1 million for the year ended December 31, 2024, primarily due to the restatement of data after the Acquisition. The net profit of the Group for the year ended December 31, 2024 decreased by approximately 48.7% from approximately RMB78.4 million for the year ended December 31, 2023 to approximately RMB40.3 million, primary to the downturn in the real estate market, which led to a decrease in revenue from design services with higher gross profit margins; and the increase in revenue from landscaping services with lower gross profit margins.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at the year ended December 31,		
	2024	2023	2022
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Total assets	929,093	905,683	859,237
– Current Assets	825,296	803,114	793,067
– Non-current assets	103,797	102,569	66,171
Total liabilities	360,263	377,099	355,891
– Current liabilities	360,263	375,358	353,197
– Non-current liabilities	–	1,741	2,693
Net Assets	568,830	528,583	503,347

The Group had total assets, total liabilities and net assets of approximately RMB929.1 million, RMB360.3 million and RMB568.8 million as at December 31, 2024 respectively.

2. Information of the Investor

With reference to the Board Letter, the Investor is a company established in the PRC with limited liability and is principally engaged in property development and construction. It is a direct wholly-owned subsidiary of Shandong Urban and Rural which is an investment holding company established in the PRC with limited liability and a direct 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 Shandong Urban and Rural, holds 4,900,000 Domestic Shares, representing approximately 3.67% of the Company's entire issued share capital.

3. Information of Target Company

With reference to the Board Letter, the Target Company, a direct 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 December 11, 2008 with a registered capital of RMB20,000,000.00.

It is principally engaged in real estate greening projects and garden greening maintenance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The audited consolidated financial information of Target Company for the three years ended December 31, 2022, 2023 and 2024 and for the period from January 1, 2024 to August 31, 2024 prepared in accordance with the China Accounting Standards for Business Enterprises are as follows:

	For the year ended December 31, 2024 <i>(audited)</i> (RMB)	For the period ended August 31, 2024 <i>(audited)</i> (RMB)	For the year ended December 31, 2023 <i>(audited)</i> (RMB)	2022 <i>(audited)</i> (RMB)
Revenue	56,578,788.19	40,802,445.36	57,804,955.61	78,622,653.91
Profit before tax	1,383,770.95	380,984.15	4,198,907.94	6,363,392.02
Profit after tax	1,007,565.27	262,964.08	3,540,971.58	4,749,287.09

As at August 31, 2024 and December 31, 2024, the audited net asset value of the Target Company was RMB34,866,617.25 (equivalent to approximately HK\$37,490,986.00), and RMB35,703,901.27 (equivalent to approximately HK\$38,391,292.00), respectively, and according to the Valuation Report, the appraised net asset value of the Target Company was approximately RMB34,887,800.00 (equivalent to approximately HK\$37,513,763.00).

4. Reasons for and benefits of the Capital Increase

As discussed in section headed “1. Information on the Group” of this letter above, the Group is principally engaged in the provision of (i) a wide range of property management services for property developers, property owners, residents and tenants; (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.

Meanwhile, the Target Company is principally engaged in real estate greening projects and garden greening maintenance.

As extracted from the Board Letter, with the national policy emphasizing on green development, the landscape industry is shifting from “scale expansion” to “quality improvement” and the profitability of traditional greening projects decline as a result of the decrease in the incremental volume of real estate. There is a mismatch between the existing business structure (relying on traditional real estate and landscape projects) of the Target Company and the long-term trend, resulting in the urgent demand for the Target Company to transform its businesses through asset restructuring.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further, as extracted from the Board Letter, the Investor was established in September 1992 with a registered capital of RMB50,000,000, which was wholly owned by Shandong Urban and Rural. As of December 31, 2023, its assets, liabilities and net assets amounted to RMB113,548,100, RMB95,958,800 and RMB17,589,300, respectively. The Investor has a forward-looking construction management service team. In 2012, it spearheaded its construction business in the province, which was the leader of construction business in the province. It has created numerous premium cases for the government and platform companies in terms of property construction and operation services, such as schools, hospitals, commercial complexes, office buildings, stadiums and residential buildings, with the accumulated construction management area amounting to approximately 2,900,000 square meters, thereby accumulating extensive experience in full-process project management services.

As the Investor invests in the Target Company as a result of the Capital Increase, it is estimated that, save and except for the relevant transaction costs and expenses estimated at approximately RMB190,500.00 (equivalent to approximately HK\$204,839.00), save as disclosed below, the Capital Increase will not result in any profit or loss to the Group. The balance of the investment in associate for the Target Company to be recognised by the Company following the Capital Increase is estimated at approximately RMB34,881,400.00 (equivalent to approximately HK\$37,506,882.00).

The Capital Increase will result in a 51% decrease in the Company's interest in the Target Company. As the Investor invests in the Target Company as a result of the Capital Increase, it is expected that the Capital Increase will give rise to an unaudited gain of approximately RMB15,098,400.00 (equivalent to approximately HK\$16,234,890.00) (before deduction of the abovementioned transaction costs and expenses) to the Company. Such estimated unaudited gain is calculated based on the following two items:

- (a) the difference between (i) the Group's share of the increment of net assets in the Target Company by the new shareholding percentage after the Target Company's new share issuance upon the Capital Increase and (ii) the pro-rata portion of original carrying amount of long term equity investment for the Group's decreased shareholding percentage in the Target Company; and
- (b) the remaining equity interest shall be accounted for by the equity method, recognising the Company's proportionate share of changes in the carrying amount of the Target Company's net assets from the date of initial investment to the date of partial disposal.

It should be noted that the actual gain recognised in the Group's consolidated financial statements will be recalculated based on the net asset value of the Company as at the date of Completion, and therefore it may differ from the amount stated above. The actual financial effect shall be further audited by the Auditor.

The proceeds from the Capital Increase are expected to be used to increase the registered capital and enlarge the capital reserve of the Target Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As understood from the management of the Company, pursuant to the Company's ongoing business plans and the mismatch of business structures between the Company and the Target Company, in particular the declining profitability identified in relation to the Target Company's greening projects, the Company has considered, among seeking for other investors, (i) a proposed fundraising by way of open offer, rights issue and bank borrowing to fund the general working capital of the Target Company; and (ii) the proposed winding up of the Target Company so as to allow the Group to focus its internal resources on its more profitable businesses.

Furthermore, in light of the current circumstances of the Target Company and the ongoing needs of funding for its general working capital, we understood that the Company had considered that it would not be in the best interest of the Group to obtain any bank borrowing and accumulate unnecessary finance costs and bearing a high interest burden pursuant to continuing a business model with declining profitability in the long run. While the Company had also considered other various fundraising such as open offer and rights issue, we understood that the Company was unable to identify willing placing agents or underwriters with favourable terms that would allow the Company to initiate such fundraising without resulting in unnecessary professional expenses incurred and unnecessary dilution impact to existing shareholders. Pursuant to the Company's consideration in the proposed winding up of the Target Company, the Company estimates that the potential contingent liabilities of not less than approximately RMB\$5.0 million are based on the estimated amount to be incurred as a result of procedures following a proposed winding up of the Target Company, which are estimated to comprise of, among other things, (i) the severance fee for the existing staff under the Target Group of not less than approximately RMB\$4.2 million; and (ii) other professional fees incurred following the winding up petition.

In the view that (i) the Capital Increase will enhance the operational efficiency of the Company by allowing the Company to focus its internal resources in its business with a higher profit margin and allowing the Target Company to low gross profit margin; (ii) the Capital Increase will allow the Group to further focus its efforts and internal resources on and refine its principally-engaged businesses; (iii) the Capital Increase will allow the Company to enjoy the benefits of the Target Company largely as an investment without creating any unnecessary financial burden to the Company with respect to alternative fundraising or potential contingent liabilities; and (iv) the proceeds from the Capital Increase will supplement the Target Company's general working capital and its respective growth may continue to be realized by the Group as an valuable investment, although the Capital Increase is not in the ordinary and usual course of business of the Group, we concur with the Directors that the Capital Increase Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Capital Increase Agreement

As extracted from the Board Letter and pursuant to the Capital Increase Agreement, the main terms of the Capital Increase Agreement are as follows:

Date

March 21, 2025 (after trading hours of the Stock Exchange)

Parties to the Capital Increase Agreement

- (i) The Company;
- (ii) The Investor; and
- (iii) The Target Company.

Subject Matter:

Pursuant to the Capital Increase Agreement, the Investor has conditionally agreed to inject capital in the amount of RMB36,320,000.00 (equivalent to approximately HK\$39,053,763.00) into the Target Company in the form of registered capital and capital reserves, of which RMB20,820,000.00 (equivalent to approximately HK\$22,387,097.00) and RMB15,500,000.00 (equivalent to approximately HK\$16,666,666.00) shall be recognised as the registered share capital and the capital reserves of Target Company, respectively.

Upon Completion, the registered capital of the Target Company will be increased from RMB20,000,000.00 to RMB40,820,000.00 and the Target Company will be owned by the Investor and the Company as to 51% and 49% of its enlarged equity interest, respectively, and following the Capital Increase, the Target Company will cease to be a subsidiary of the Company and, accordingly, the financial results of the Target Company will no longer be consolidated in the Group's accounts. The Target Company will be accounted for an associate of the Company.

Capital Contribution Sum and Payment Terms

The Investor shall pay the Capital Contribution Sum in the amount of RMB36,320,000.00 (equivalent to approximately HK\$39,053,763.00) by way of cash contribution to the Target Company within ten (10) Working Days upon fulfillment of the Conditions Precedent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Basis of the Capital Contribution Sum and Valuation of the Target Company

The Capital Contribution Sum was arrived at after arm's length negotiations among the parties to the Capital Increase Agreement with reference to:

- (i) the appraised net asset value of the Target Company as at the Valuation Benchmark Date in the amount of approximately RMB34,887,800.00 (equivalent to approximately HK\$37,513,763.00) in the Valuation Report issued by the Independent Valuer; and
- (ii) the benefits to be derived by the Group from the Capital Increase as stipulated in the section headed "Reasons for and benefits of the Capital Increase" in the Board Letter.

Conditions Precedent

The completion of the transactions contemplated under the Capital Increase Agreement is conditional upon, among other things, the fulfilment or waiver (as the case may be) of the following conditions following the execution of the Capital Increase Agreement:

- A. the Company, the Investor and the Target Company have respectively made valid decisions to approve the execution and the performance of the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder and obtained the authorisation document from the relevant state-owned assets supervision and administration department or its authorised bodies;
- B. the Company, the Investor and the Target Company have respectively executed and delivered all documents in relation to the Capital Increase, including but not limited to the Capital Increase Agreement, the amended articles of association of the Target Company and resolutions of their respective shareholders;
- C. the pre-emptive right, option for purchase, etc. of the Company or any third party in connection with the Capital Increase have been duly waived in writing;
- D. the absence of laws, regulations, judgments, rulings, orders or injunctions of the courts or relevant government authorities which would restrict, prohibit or repeal the Capital Increase;
- E. the necessary internal and external approval(s) to the Investor's execution and performance of the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder having been obtained, including but not limited to the approvals from Shandong Commercial, the relevant state-owned assets supervision and administration department or its authorised bodies;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- F. the approvals to the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder from the Independent Shareholders at the EGM to be convened having been obtained from the Independent Shareholders; and
- G. all necessary approvals of the Stock Exchange in connection with the transactions contemplated under the Capital Increase Agreement having been obtained.

The Conditions Precedent stipulated above cannot be waived, and in the event that any of the Conditions Precedent has not been satisfied on or before the Long Stop Date (subject to the extension of which as agreed in writing by the parties to the Capital Increase Agreement), the Capital Increase Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other under the Capital Increase Agreement save and except for rights and remedies available to the non-defaulting party in relation to any breach prior to termination.

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

Completion

Completion shall take place on the Completion Date, which shall be within ten (10) Working Days after the fulfillment of the Conditions Precedent.

Registration of Change

Within ten (10) Working Days after the Completion Date, the Investor shall have the right to request the Target Company to complete and fulfill all Registration of Change.

Arrangement during Transition

Upon the Capital Contribution Sum being paid in full and the Investor being entered into the register of members of the Target Company, any interest in the Target Company, together with any undistributed profits of the Target Company prior to the completion of the Registration of Change, shall be proportionally enjoyed by the Company and the Investor in accordance with their respective shareholding in the Target Company upon Completion.

6. Evaluation of the Capital Contribution Sum and Valuation of the Target Company

The Valuation

With reference to the Board Letter, the Capital Contribution Sum was determined after arm's length negotiations between the Company and Investor with reference to the appraised asset value of the Target Company as at the Valuation Benchmark Date as appraised by the Independent Valuer (the "**Valuation**").

According to the Valuation Report, the appraised net asset value of the Target Company as at the Valuation Benchmark Date in the amount of approximately RMB34,887,800.00 (equivalent to approximately HK\$37,513,763.00). In preparing the Valuation Report, the Independent Valuer selected the asset-based approach, which was considered the most appropriate approach for the valuation of the Target Company.

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

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

The Independent Valuer was engaged to prepare the Valuation Report which sets out independent valuations on the market value of the Target Company as at the Valuation Benchmark Date. The Valuation Report has been prepared in compliance with the relevant professional standards issued by China Appraisal Society. For our due diligence purpose, we have also reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Valuation. We have discussed the expertise of the Independent Valuer with its relevant staff members. We understand that the Independent Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise and the signing persons of the Valuation Report have over 5 years' industry experience in conducting valuation exercises. We also noted that the purpose of the Valuation is to provide an opinion of value of Target Company and the Independent Valuer's engagement letter contains standard valuation scopes that are typical of company valuations carried out by Independent Valuers.

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

(b) Valuation methodologies

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

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

- (1) Market approach 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. 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.
- (2) 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 real estate greening projects and garden greening maintenance 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 greening projects; and last but not least, global economy was still struggling from the global trade and political tensions. The above factors reflected that if the income approach was adopted, there will be uncertainty in appraisal.

- (3) 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.

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

(c) Valuation assumptions

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

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

(d) Details of valuation

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

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

(i) Current assets

The book value and appraised value of Target Company's current assets were approximately RMB109.23 million and RMB109.22 million respectively as at the Valuation Benchmark Date.

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

(ii) Non-current assets

The book value and appraised value of Target Company's non-current assets were approximately RMB448,400 and RMB483,300 respectively as at the Valuation Benchmark Date.

(iii) Current liabilities

The book value of Target Company's current liabilities was the same as the appraised value, being approximately RMB74.81 million as at the Valuation Benchmark Date.

(iv) Non-current liabilities

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

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(e) Conclusion

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

Trading multiples analysis

We have further endeavoured to apply the trading multiples analysis to assess the fairness and reasonableness of the Capital Contribution Sum: We consider that the trading multiples analysis, comprising the P/E Ratio, the P/S Ratio and the P/B Ratio, are widely used valuation multiples for valuing a company based on its earnings, its revenue streams or its book value respectively. We considered the P/B Ratio to be inappropriate for the trading multiples analysis of the Target Company because book value captures only the tangible assets of a company and having considered that comparable companies which are principally engaged in provision of property management services would be asset-light in general, we consider the P/B Ratio to be inappropriate for the purpose of the trading multiples analysis.

To perform such analysis and ensure similarity between the Target Company and the comparable companies (the “**Comparable Companies**”) to the best of our knowledge and endeavour, we have set out the selection criteria being (i) businesses of the Comparable Companies offer not dissimilar nature in property maintenance as the Target Company; and (ii) principal location of main business (largest revenue by location) of the Comparable Companies is operated in the PRC. We have identified 30 Comparable Companies based on the selection criteria, and we are satisfied that the selection criteria is fair and reasonable for the purpose of our analysis and exhaustive based on the research and selection criteria on a best-effort basis. It should be noted that the business operations and prospects of the Target Company are not exactly the same as the Comparable Companies and we have not conducted any in-depth investigation into the business operations and prospects of the Comparable Companies. Set out below are our relevant findings:

Stock code	Company name	P/E Ratio (Note 1) (times)	P/S Ratio (Note 2) (times)
6958	Zhenro Services Group Ltd	N/A	0.15
2146	Roiserv Lifestyle Services Co Ltd	0.96	0.35
1538	Zhong Ao Home Group Ltd	3.40	0.20
6989	Excellence Commercial Property & Facilities Management Group Ltd	5.61	0.45
2107	First Service Holding Ltd	6.94	0.16

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Stock code	Company name	P/E Ratio (Note 1) (times)	P/S Ratio (Note 2) (times)
2352	Dowell Service Group Ltd	17.95	0.28
816	Jinmao Property Services Co Ltd	6.85	0.16
1971	Redsun Services Group Ltd	19.76	0.17
6626	Yuexiu Services Group Ltd	10.03	1.11
6093	Hevol Services Group Ltd	9.93	1.00
1895	Xinyuan Property Management Service Cayman Ltd	15.26	0.60
2156	C&D Property Management Group Co Ltd	8.60	1.22
3316	Binjiang Service Group Co Ltd	9.19	1.48
1502	Financial Street Property Co Ltd	1.79	0.52
2210	Beijing Capital Jiaye Property Services Co Ltd	1.25	0.28
2215	Dexin Services Group Ltd	25.25	2.05
2205	Kangqiao Service Group Ltd	12.9	0.52
1965	Landsea Green Life Service Co Ltd	N/A	0.10
606	SCE Intelligent Commercial Management Holdings Ltd	2.02	0.73
3658	New Hope Service Holdings Ltd	5.78	0.68
2165	Ling Yue Services Group Ltd	3.88	0.28
2370	Redco Healthy Living Co Ltd	N/A	0.66
9978	Fineland Living Services Group Ltd	N/A	0.07
1941	Ye Xing Group Holdings Ltd	N/A	0.18
9608	Sundy Service Group Co Ltd	26.1	2.18
265	Gangyu Smart Urban Services Holding Ltd	9.26	1.14
2152	Sunxin Joyful Life Services Co Ltd	2.16	0.90
9916	Xingye Wulian Service Group Co Ltd	6.25	0.51
2270	Desun Real Estate Investment Services Group Co Ltd	17.55	1.86
1417	Riverine China Holdings Ltd	N/A	0.15
Maximum		26.1	2.18
Minimum		0.96	0.07
Average		9.53	0.67

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

	P/E Ratio (times)	P/S Ratio (times)
Target Company (Note 3 and 4)	70.68	1.26

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Notes:

1. The P/E Ratios of the Comparable Companies are computed by dividing the market capitalization as at the date of the Capital Increase Agreement by the net profit extracted from their latest published annual reports.
2. The P/S Ratios of the Comparable Companies are computed by dividing the market capitalization as at the date of the Capital Increase Agreement by the total revenue extracted from their latest published annual reports.
3. The implied P/E Ratio of the Target Company is computed based on (a) the Capital Contribution Sum divided by the percentage deemed disposed; and (b) the net profit of approximately RMB1.0 million for the year ended December 31, 2024.
4. The implied P/S Ratio of the Target Company are computed based on (a) the Capital Contribution Sum divided by the percentage deemed disposed; and (b) the revenue of approximately RMB56.6 million for the year ended December 31, 2024.

Based on the above table, the P/E Ratio of the Comparable Companies ranged from approximately 0.96 times to approximately 26.1 times with average P/E Ratio of approximately 9.53 times. Although the P/E Ratio of the Target Company of approximately 70.68 times falls out of range from the same of the Comparable Companies, the higher P/E Ratio of the Target Company in comparison to the Comparable Companies implicates that the Capital Increase is not less favourable to the Company than the alternative market investment opportunities available to the Investor should the Investor consider to invest in alternative real estate opportunities with a higher P/E Ratio.

Furthermore, the P/S Ratio of Comparable Companies ranged from approximately 0.07 times to approximately 2.18 times with average P/S Ratio of approximately 0.67 times. The P/S Ratio of the Target Company of 1.26 times is within range of the P/S Ratio of the Comparable Companies and above the average of such ratio of the Comparable Companies.

We believe the variance in the P/E Ratio and the P/S Ratio between the Target Company and Comparable Companies may be attributable to the wider range of business segments offered by the Comparable Companies, and while the Comparable Companies may offer not dissimilar nature in property maintenance as the Target Company, these services may only contribute as one segment of their wider range of services offered. While we understand that the business operations and prospects of the Target Company are not identical to those of the Comparable Companies, we are satisfied that the selection criteria is fair and reasonable for the purpose of our analysis and exhaustive based on the research and selection criteria on a best-effort basis.

Based on the aforementioned above, we consider that the pricing of the Capital Contribution Sum is not less favourable to the Company with the market practice, and is fair and reasonable so far as the Independent Shareholders are concerned.

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Evaluation of the Capital Contribution Sum

Taking into account that (i) the Capital Contribution Sum of RMB36,320,000 (equivalent to approximately HK\$39,053,763) represents a premium to the Valuation; (ii) both the P/E Ratio and P/S Ratio of the Target Company for the purpose of the Capital Increase are either not less favourable or within range and close to the average of the market ranges; and (iii) as concluded in the section headed “Reasons for the Capital Increase” of this letter of advice, the Capital Increase is in the interests of the Company and the Shareholders as a whole, we are of the opinion that the Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

7. Financial effects of the Capital Increase and use of proceeds

Immediately prior to Completion, the Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the registered capital of the Target Company will be increased from RMB20,000,000 to RMB40,820,000 and the Target Company will be owned by the Investor and the Company as to 51% and 49% of its enlarged equity interest, respectively, and following the capital Increase, the Target Company will cease to be a subsidiary of the Company and, accordingly, the financial results of the Target Company will no longer be consolidated in the Group’s accounts. The Target Company will be accounted for an associate of the Company.

The relevant transaction costs and expenses in respect of the Capital Increase is estimated at approximately RMB190,500.00 (equivalent to approximately HK\$204,839.00). The balance of the investment in associate for the Target Company to be recognised by the Company following the Capital Increase is estimated at approximately RMB34,881,400.00 (equivalent to approximately HK\$37,506,882.00).

The Capital Increase will result in a 51% decrease in the Company’s interest in the Target Company. As the Investor invests in the Target Company as a result of the Capital Increase, it is expected that the Capital Increase will give rise to an unaudited gain of approximately RMB15,098,400.00 (equivalent to approximately HK\$16,234,890.00) (before deduction of the abovementioned transaction costs and expenses) to the Company. Such estimated unaudited gain is calculated based on the following two items:

- (a) the difference between (i) the Group’s share of the increment of net assets in the Target Company by the new shareholding percentage after the Target Company’s new share issuance upon the Capital Increase and (ii) the pro-rata portion of original carrying amount of long term equity investment for the Group’s decreased shareholding percentage in the Target Company; and
- (b) the remaining equity interest shall be accounted for by the equity method, recognising the Company’s proportionate share of changes in the carrying amount of the Target Company’s net assets from the date of initial investment to the date of partial disposal.

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It should be noted that the actual gain recognised in the Group's consolidated financial statements will be recalculated based on the net asset value of the Company as at the date of Completion, and therefore it may differ from the amount stated above. The actual financial effect shall be further audited by the Auditor.

The expected net proceeds of approximately RMB36,129,500.00 (equivalent to approximately HK\$38,848,925.00) to be received from the Capital Increase will be used to strengthen the general working capital of the Target Company and actively promote the transformation of its businesses into high-growth sectors like municipal engineering, ecological restoration and vertical greening with exploration of synergistic scenarios with the Group's existing businesses without utilizing further resources of the Group to finance the Target Company.

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

OPINION AND RECOMMENDATION

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

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing

For the purposes of this letter, unless the context requires otherwise, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.93. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

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

* For identification purpose only

The following is the summary of the Valuation Report issued by the Independent Valuer in respect of the valuation of the Target Company as at August 31, 2024, for the purpose of, among others, inclusion in this circular. In the event of any inconsistency in the Valuation Report, the Chinese version shall prevail.

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STATEMENT

- I. This Valuation Report is prepared in accordance with the Basic Standards for Valuation (資產評估基本準則) issued by the Ministry of Finance and the Practicing Standards and Code of Professional Ethics for Valuation (資產評估執業準則和職業道德準則) issued by the China Appraisal Society.
- II. The users of this asset appraisal report are limited to the client and the users of this asset appraisal report under the provisions of laws and administrative regulations, that is, this asset valuation report shall only be used by the client and the users of this asset valuation report under the provisions of laws and administrative regulations. Save for the above, any other institutions and individuals shall not be the users of this asset valuation report.
- III. The users of this asset valuation report shall use this asset valuation report in accordance with laws and administrative regulations within the scope of use specified in this asset valuation report. In the event that any user of this asset valuation report uses this asset valuation report in violation of the foregoing regulations, the Company and the asset valuer who signed this asset valuation report shall not be held accountable.
- IV. Users of this asset valuation report that they should properly understand and use the valuation conclusion, and that the valuation conclusion are not equivalent to and should not be treated as a guarantee for the realizable value of the valuation subject.
- V. The users of this asset valuation report should pay attention to the assumptions that the valuation conclusion is established, the explanation of special matters and the explanation of the use restriction of the asset valuation report.
- VI. The Company and the asset valuer who signed this asset valuation report shall abide by laws, administrative regulations and asset valuation standards and adhere to the principles of independence, objectivity and fairness, and shall be responsible for the issue of this asset valuation report by law.
- VII. The appraised object and the declared valuation information, business information and information, financial reports and data and other important data involved in the respective valuation scopes and contained in the asset valuation schedules shall be declared or provided by the client and related parties (including the valued entity or de facto controllers of the appraised object, the valued entity, the related parties of the valued entity and their managers or employees) and confirmed by signature, seal or other methods permitted by law. The relevant parties shall be responsible for the authenticity, completeness, legality and validity of the information they provide in accordance with the law.

- VIII. The asset valuer who signed this asset value report (including the asset valuation professionals who provided assistance) has conducted necessary on-site investigations on the appraised object and the assets involved in this asset valuation report. The valuer has paid the necessary attention to the legal ownership of the appraised object and the assets involved and has also conducted a random check on the legal ownership of the appraised object and the assets involved.
- IX. The Company and the asset valuer who signed this asset valuation report have no existing or expected interest in the appraised object in this asset valuation report, and there is no existing or expected interest in relevant parties and no prejudice against relevant parties.
- X. Without the written consent of the Company, the content of this asset valuation report shall not be excerpted, quoted or disclosed in the public media, unless otherwise stipulated in laws, administrative regulations and the asset valuation engagement contract.

**SUMMARY OF THE VALUATION REPORT ON THE ENTIRE EQUITY OF
SHAREHOLDERS OF SHANDONG BLUE SHORE GARDEN ENGINEERING
CO., LTD* (山東藍岸園林工程有限公司) IN RELATION TO THE INCREASE IN
THE REGISTERED CAPITAL OF SHANDONG BLUE SHORE GARDEN
ENGINEERING CO., LTD* (山東藍岸園林工程有限公司)
BY SHANDONG COMMERCIAL REAL ESTATE DEVELOPMENT CO., LTD.*
(山東省城發建設管理有限公司)**

Lu Xin Tian Di Ping Bao Zi (2024) No. Y10036

To Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司):

Shandong Xintiandi Land and Real Estate Assets Appraisal Co., Ltd.* (山東新天地土地房地產資產評估有限公司) accepted the entrustment of the Company to value the market value of the entire equity of shareholders of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) as of the Valuation Benchmark Date based on the premise of the open market by the asset-based approach in accordance with relevant laws, administrative regulations and valuation standards. The asset valuation report is summarized as follows:

- I. Purpose of valuation: On June 18, 2024, the Resolution of General Manager's Office Meetings of Lushang Life Services Co., Ltd. (No.[2024]11-1) (《魯商生活服務股份有限公司總經理辦公會會議決議([2024]11-1號)》) agreed the Resolution on Increase in Capital Contribution by Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公司) to Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) (《關於山東省城發建設管理有限公司對山東藍岸園林工程有限公司增資的議案》). Due to the proposed increase in the registered capital of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) by Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公司), to this end, Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) entrusted Shandong Xintiandi Land and Real Estate Assets Appraisal Co., Ltd.* (山東新天地土地房地產資產評估有限公司) to assess the market value of the entire equity of shareholders of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) involving in such economic behaviour, so as to provide a value reference for the above economic behaviour.
- II. Appraised object: The subject of this engaged valuation is the entire equity interest of the shareholders of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) as at the Valuation Benchmark Date. The valuation scope corresponding to the appraised object is all assets and all liabilities of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) as of the Valuation Benchmark Date reported by Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司). The reported data have been audited.
- III. Valuation Benchmark Date: August 31, 2024.
- IV. Type of value: Market value.

V. Valuation approaches: Asset-based approach.

VI. Valuation conclusion:

Conclusion of this Valuation Report: The book value of total assets of the entire equity interest of the shareholders of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) as at the Valuation Benchmark Date (i.e. August 31, 2024) was RMB109.6785 million, the book value of total liabilities was RMB74.8119 million and the book value of entire equity interest of the shareholders was RMB34.8666 million. As valued by the asset-based approach, the market value of entire equity interest of the shareholders of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) was RMB34.8878 million, representing an appreciation of RMB21,200 or an appreciation rate of 0.06%.

This Valuation conclusion did not take into account of the premiums due to control and discounts due to lack of control and the effects of equity liquidity to equity value.

The validity period of the conclusion of this asset valuation report is one year from the Valuation Benchmark Date (i.e. August 31, 2024) to August 30, 2025.

VII. Summary of note to special matter

(I) Incomplete or defective ownership information

There is no incomplete or defective ownership information in this Valuation.

(II) Restricted valuation process

There is no restriction on the valuation process in this Valuation.

(III) Incomplete valuation information

There is no incomplete valuation information in this Valuation.

(IV) Legal, economic, and other outstanding matters on the Valuation Benchmark Date

There are no outstanding legal, economic or other issues were found in this Valuation as at the Valuation Benchmark Date.

- (V) Nature, amount, and relationship with the valued target of matters such as guarantees, leases, and their contingent liabilities (or assets)

There are no guarantees, leases and their contingent liabilities (contingent assets) of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) identified in this Valuation.

- (VI) Matters that may have an impact on the valuation conclusion between the Valuation Benchmark Date and the asset valuation report date

No matters that may have an impact on the valuation conclusion between the Valuation Benchmark Date and the date of the asset valuation report have been identified in respect of the valued entity in this Valuation.

- (VII) Defects in the economic behaviour corresponding to the assets valuation that may have a significant impact on the valuation conclusion

No factors are found to exist in this Valuation where economic behavior per se had a significant impact on this valuation conclusion.

Users of this asset valuation report are kindly reminded that the above contents are extracted from the main body of the asset valuation report. To understand the details of this valuation project and to properly understand the valuation conclusion, please read the full text of the asset valuation report.

**FULL TEXT OF THE VALUATION REPORT ON THE ENTIRE EQUITY OF
SHAREHOLDERS OF SHANDONG BLUE SHORE GARDEN ENGINEERING
CO., LTD* (山東藍岸園林工程有限公司) IN RELATION TO THE INCREASE IN
THE REGISTERED CAPITAL OF SHANDONG BLUE SHORE GARDEN
ENGINEERING CO., LTD* (山東藍岸園林工程有限公司)
BY SHANDONG COMMERCIAL REAL ESTATE DEVELOPMENT CO., LTD.*
(山東省城發建設管理有限公司)**

Lu Xin Tian Di Ping Bao Zi (2024) No. Y10036

To Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司):

Shandong Xintiandi Land and Real Estate Assets Appraisal Co., Ltd.* (山東新天地土地房地產資產評估有限公司) (“Our Company” or “We”) was commissioned by the Company to conduct the valuation of the market value as at August 31, 2024 of the entire equity of shareholders of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) in relation to the increase in the registered capital of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) by Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公司) in accordance with the relevant laws, administrative regulations and valuation standards, and adhering to the principles of independence, objectivity and fairness, adopting the asset-based approach, and in accordance with the requisite valuation procedures. The valuation process and conclusion are summarized as follows:

**I. OVERVIEW OF THE CLIENT, THE VALUED ENTITY AND OTHER USERS OF
THE ASSET VALUATION REPORT AGREED IN THE ASSET VALUATION
ENGAGEMENT CONTRACT**

The client and the valued entity of this asset valuation was Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司). The asset valuation engagement contract has not agreed on the other users in the asset valuation engagement contract.

(I) Overview of the client and the valued entity

1. Basic information of the Company

Name: Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司)

Unified Social Credit Code: 91370100677295234H

Type: Limited liability company (sole proprietorship invested or controlled by a non-natural person)

Residence: Room 4301, Block 5, Lushang Guo’ao City, No. 9777, Jingshi Road, Lixia District, Jinan

Legal representative: Ruan Jiqing (阮計青)

Registered capital: RMB20,000,000

Date of establishment: December 11, 2008

Duration of operation: Open tenor

Business scope: General projects: construction of landscape and greening works; urban greening management; municipal facilities management; engineering management services; urban and rural amenities management; property management; engineering technical services (except planning management, survey, design, supervision); tree planting operations; forestry products sales; flowers and greenery rental and management; daily-use department store sales; daily necessities sales; construction and decoration materials sales; construction materials sales; furniture sales; sale of gardening products; sale of arts and crafts and ceremonial articles (except ivory and its products); sale of gifts flowers; retail sale of hardware products; retail sale of shoes and hats; retail sale of clothing and apparel; sale of office supplies; sale of leather products; furniture installation and maintenance services; construction of metal door and window projects; business management consulting; installation of household electrical appliances; residential plumbing and electrical installation and maintenance services; retail sale of electronic components; consulting services on construction cost; sale of health food (pre-packaged); retail of fresh vegetables; retail of fresh fruits; retail of edible agricultural products; retail of cosmetics; retail of fresh meat; retail of aquatic products; retail of fresh eggs; sale of unprocessed nuts and dried fruits; sale of food (sale of pre-packaged food only). (except for the items subject to approval under the law, business activities may be carried out independently with the business license according to law) Permitted projects: Construction; Forestry Seed Production and Operation; Grass Seed Production and Operation; Life Beauty Service; Residential Interior Decoration and Renovation; Construction Professional Operation; Electrical Installation Service; Construction Project Supervision; Construction Project Design; Food Internet Sales; Liquor Operation; Catering Service; Subcontracting of Construction Labor. (For projects that require approval according to law, business activities can only be carried out after approval by relevant departments. The specific business projects shall be subject to the approval documents or permits issued by relevant departments).

2. *History and development and shareholding status of the Company*

(1) Establishment of the Company

On December 11, 2008, Shandong Blue Shore Garden Engineering Co., Ltd.* (山東藍岸園林工程有限公司) was established by the investment of Shandong Lushang Real Estate Co., Ltd.* (山東省魯商置業有限公司) with a registered capital of RMB20,000,000. Its shareholding structure was as follows:

No.	Name of shareholder	Investment amount (RMB'0,000)	Percentage of contribution (%)
1	Shandong Lushang Real Estate Co., Ltd.* (山東省魯商置業有限公司)	2,000	100.00%
	Total	2,000	100.00%

(2) First change of Shareholder

On January 22, 2021, Shandong Lushang Real Estate Co., Ltd.* (山東省魯商置業有限公司) transferred its 100% equity interest to Shandong Lushang Property Services Co., Ltd. (山東魯商物業服務有限公司) at a consideration of RMB37,850,000. No asset valuation has been carried out in respect of this equity transfer and its shareholding structure after the transfer was as follows:

No.	Name of shareholder	Investment amount (RMB'0,000)	Percentage of contribution (%)
1	Shandong Lushang Property Services Co., Ltd. (山東魯商物業服務有限公司)	2,000	100.00%
	Total	2,000	100.00%

(3) Second change of shareholder (change of name)

On June 22, 2021, Shandong Lushang Property Services Co., Ltd. (山東魯商物業服務有限公司), a shareholder, was renamed as Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司). Its shareholding structure was as follows:

No.	Name of shareholder	Investment amount (RMB'0,000)	Percentage of contribution (%)
1	Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司)	2,000	100.00%
	Total	2,000	100.00%

(4) Shareholding structure at the Valuation Benchmark Date

No.	Name of shareholder	Investment amount (RMB'0,000)	Percentage of contribution (%)
1	Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司)	2,000	100.00%
	Total	2,000	100.00%

3. *Significant Accounting Policies Adopted*

Depreciation methods of fixed assets

Fixed assets refer to the tangible assets with the following characteristics at the same time, i.e., a service life of more than one year held for the production of goods, provision of labor services, lease or operation and management.

Fixed assets are recognized when it is probable that the economic benefits associated with the assets will flow into the entity, and its cost can be measured reliably. Fixed assets of the Company include electronic equipment, transportation equipment and tools, etc.

At the end of each year, the Company reviews the estimated useful lives, estimated net residual values and depreciation methods of fixed assets, and changes in accounting estimates are accounted for as changes in accounting estimates.

(II) Relationship between the client and the valued entity

The client and the valued entity of this asset valuation were both Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司).

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

The asset valuation report is intended for use only by the client, other users as agreed in the asset valuation engagement contract and users as stipulated in the laws and administrative regulations. Other than that, no other organization or individual can be the user of the asset valuation report.

2. VALUATION PURPOSE

On June 18, 2024, the Resolution of General Manager's Office Meetings of Lushang Life Services Co., Ltd. (No. [2024]11-1) (《魯商生活服務股份有限公司總經理辦公會會議決議([2024]11-1號)》) agreed the Resolution on Increase in Capital Contribution by Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公司) to Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) (《關於山東省城發建設管理有限公司對山東藍岸園林工程有限公司增資的議案》). Due to the proposed increase in the registered capital of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) by Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公司), to this end, Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) entrusted Shandong Xintiandi Land and Real Estate Assets Appraisal Co., Ltd.* (山東新天地土地房地產資產評估有限公司) to assess the market value of the entire equity of shareholders of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) involving in such economic behaviour, so as to provide a value reference for the above economic behaviour.

3. SUBJECT AND SCOPE OF VALUATION

(I) Subject of valuation

The subject of this engaged valuation is the entire equity interest of the shareholders of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司).

(II) Scope of valuation

1. Scope of valuation:

The valuation scope corresponding to the above appraised object is all assets and all liabilities of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) as of the Valuation Benchmark Date reported by Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司). The total assets subject to valuation as at the Valuation Benchmark Date (i.e. August 31, 2024) was RMB109.6785 million, the book value of total liabilities was RMB74.8119 million and the book value of entire equity interest of the shareholders was RMB34.8666 million.

Balance sheet subject to valuation of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司)

	Item	Book value (RMB'0,000)
1	Current assets	10,923.01
2	Of which: monetary funds	209.20
3	Bills receivable	771.88
4	Accounts receivable	5,177.92
5	Prepayments	8.22
6	Other receivables	653.66
7	Inventories	—
8	Contract Assets	4,087.06
9	Other current assets	15.07
10	Non-current assets	44.84
11	Of which: long-term receivables	—
12	Investment in other equity instruments	—
13	Fixed assets	11.85
14	Construction in progress	—
15	Intangible assets	—
16	Long-term prepaid expenses	—
17	Deferred income tax assets	33.00
18	Total assets	10,967.85
19	Current liabilities	7,481.19
20	Of which: short-term borrowings	—
21	Bills payable	—
22	Account payables	7,347.81
23	Advance in receipt	—
24	Contract liabilities	—
25	Employee benefits payable	94.58
26	Tax payables	21.46
27	Other payables	17.34
28	Non-current liabilities	—

	Item	Book value (RMB'0,000)
29	Of which: long-term payables	–
30	Total liabilities	7,481.19
31	Total net assets	3,486.66
32	Paid-in capital	2,000.00
33	Surplus reserve	82.75
34	Capital reserve	–
35	General reserve	–
36	Unallocated profit	1,403.92

The valuation scope of above assets and liabilities are consistent with the scope subject to valuation. The appraised object and scope of valuation entrusted were consistent with the appraised object and scope of valuation involved in economic behaviors.

2. *Major assets*

(1) Monetary funds

Monetary funds refer to bank deposits with a book value of RMB2,092,046.02.

(2) Bills receivable

Bills receivable refer to commercial acceptance bills. Provision for bad debts of bills receivable is RMB38,546.37 and its book value is RMB7,718,782.35.

(3) Accounts receivable

Accounts receivable refer to maintenance expenditure and construction payments, etc. Provision for bad debts of accounts receivable is RMB828,850.71 and its book value is RMB51,779,200.62.

(4) Prepayments

Prepayments refer to prepaid gas card top-up, ETC top-up, service charge and leasing charge, etc., with a book value of RMB82,208.48.

(5) Other receivables

Other receivables refer to deposits, current accounts of entities and advances with a book value of RMB6,536,577.61.

(6) Contract assets

Contract assets refer to the construction payments that the Company entitles to receive conditionally. Impairment provision of contract assets is RMB159,420.92 and the book value of contract assets is RMB40,870,584.91.

(7) Other current assets

Other current assets refer to the reclassified “tax payable – enterprise income tax” with a book value of RMB150,720.74.

(8) Fixed assets

1) Vehicles

There is one vehicle reported which is a small sedan. It was purchased and commissioned in 2021 with an original book value of RMB114,586.14 and a book value of RMB78,300.22.

2) Electronic equipment

There are a total of 12 electronic equipment reported, which include computers, projectors and printers purchased and commissioned between 2019 and 2023 with an original book value of RMB109,504.21 and a book value of RMB39,484.31.

3) Other equipment

There are a total of 6 other equipment reported, which mainly include office furniture, screens and binding machines purchased and commissioned in 2020 with an original book value of RMB13,546.67 and a book value of RMB677.32.

(9) Deferred income tax assets

Deferred income tax assets refer to credit-impaired deferred income tax, deferred income tax with asset impairment provision and deferred income tax of accrued charges with a book value of RMB329,950.09.

(III) Off-balance sheet assets and liabilities declared and assessed by the valued entity

Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) undertakes that, according to the economic activities corresponding to the purpose of this valuation, except for the afore-mentioned assets and liabilities set out in the balance sheet, Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) has not reported any off-balance sheet assets and liabilities.

(IV) Assets/liabilities involved in making reference to the conclusions of reports issued by other institutions

Nil.

IV. TYPE OF VALUE AND ITS DEFINITION

(I) Value Type of this Valuation and the Definitions

The type of value used in this Valuation is market value.

Market value means the estimated amount for which an appraised object should be traded on the Valuation Benchmark Date between a willing buyer and a willing seller acting knowledgeably, prudently and without compulsion, in an arm's length transaction.

(II) Choice of value type

The economic behavior corresponding to the purpose of this valuation is the increase in registered capital related to the appraised object, the market conditions of which are essentially similar to those defined by market value. Considering factors such as the appraised object's own conditions, the value type selected in this valuation is the market value under the premise of going concern.

V. VALUATION BENCHMARK DATE

The Valuation Benchmark Date is August 31, 2024.

The above Valuation Benchmark Date is consistent with the Valuation Benchmark Date agreed in the asset valuation engagement contract.

To ensure the optimal proximity of the date of fulfillment of the economic behavior to the benchmark date of valuation, and taking into account the time required for settlement, asset inventory and preparation of financial statements of the valued entity, as well as the overall plan of economic behavior and other factors, the client sets the last day of the above-mentioned accounting period as the benchmark date of this valuation.

VI. BASIS FOR VALUATION

The basis for this asset valuation mainly includes economic behavior, laws and regulations, valuation criteria, asset ownership, and pricing basis and other reference materials adopted in valuation and estimation, detailed as follows:

(I) Basis of business activities

The Resolution of General Manager's Office Meetings of Lushang Life Services Co., Ltd. (No. [2024]11-1) (《魯商生活服務股份有限公司總經理辦公會會議決議([2024]11-1號)》) and the Resolution on Increase in Capital Contribution by Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公司) to Shandong Blue Shore Garden Engineering Co., Ltd.* (山東藍岸園林工程有限公司) (《關於山東省城發建設管理有限公司對山東藍岸園林工程有限公司增資的議案》).

(II) Basis of laws and regulations

1. Asset Appraisal Law of the People's Republic of China (《中華人民共和國資產評估法》) (adopted at the 21st meeting of the Standing Committee of the 12th National People's Congress on July 2, 2016);
2. Company Law of the People's Republic of China (《中華人民共和國公司法》) (adopted at the 7th meeting of the Standing Committee of the 14th National People's Congress on December 29, 2023);
3. Measures for Financial Supervision and Administration of the Assets Valuation Industry (《資產評估行業財政監督管理辦法》) (amended by Decree No. 97 of the Ministry of Finance) on January 2, 2019);
4. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (adopted at the third session of the 13th National People's Congress on May 28, 2020);
5. Vehicle Purchase Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》) (adopted at the seventh session of the 13th National People's Congress on December 29, 2018);
6. Interim Regulations of the People's Republic of China on Value-added Taxes (《中華人民共和國增值稅暫行條例》) (revised on November 19, 2017);
7. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-Added Taxes (《中華人民共和國增值稅暫行條例實施細則》) (revised on October 28, 2011);
8. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (revised on December 29, 2018);

9. Implementation Regulation for the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (revised on April 23, 2019);
10. Law of the People's Republic of China on State-owned Assets in Enterprises (《中華人民共和國企業國有資產法》) (adopted at the fifth meeting of the Standing Committee of the 11th National People's Congress on October 28, 2008);
11. Measures for the Administration of State-owned Assets Appraisal (《國有資產評估管理辦法》) (Decree No. 91 of the People's Republic of China);
12. Provisional Regulations for the Monitoring and Administration of State-owned Assets (《企業國有資產監督管理暫行條例》) (revised on January 8, 2011);
13. Other relevant laws, regulations and regulatory documents.

(III) Basis of valuation criteria

1. Basic Standards for Asset Valuation (《資產評估基本準則》) (Cai Zi [2017] No. 43);
2. Code of Ethics for Asset Valuation (《資產評估職業道德準則》) (Zhong Ping Xie [2017] No. 30);
3. Practice Guidelines for Asset Valuation – Asset Valuation Approaches (《資產評估執業準則—資產評估方法》) (Zhong Ping Xie [2019] No. 35);
4. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (《資產評估執業準則—資產評估程序》) (Zhong Ping Xie [2018] No. 36);
5. Practice Guidelines for Asset Valuation – asset valuation report (《資產評估執業準則—資產評估報告》) (Zhong Ping Xie [2018] No. 35);
6. Practice Guidelines for Asset Valuation – Asset Valuation Files (《資產評估執業準則—資產評估檔案》) (Zhong Ping Xie [2018] No. 37);
7. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (《資產評估執業準則—資產評估委託合同》) (Zhong Ping Xie [2017] No. 33);
8. Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則—企業價值》) (Zhong Ping Xie [2018] No. 38);

9. Practice Guidelines for Asset Valuation – Machinery and Equipment (《資產評估執業準則－機器設備》) (Zhong Ping Xie [2017] No. 39);
10. Asset Appraisal Expert Guideline No.8 – Check and Verification in Asset Valuation (《資產評估專家指引第8號－資產評估中的核查驗證》) (Zhong Ping Xie [2019] No. 39);
11. Notice of China Appraisal Society on Issuing Terms for Asset Valuation Standards 2020 (中評協關於印發《資產評估準則術語2020》的通知) (Zhong Ping Xie [2020] No. 31);
12. Guidelines for Valuation Reports on State-owned Assets of Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 42);
13. Guidelines for Quality Control of Business of Asset appraiser (《資產評估機構業務質量控制指南》) (Zhong Ping Xie [2017] No. 46);
14. Guiding Opinions on Types of Value under Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2017] No. 47);
15. Guiding Opinions on Legal Ownership of Asset Valuation Target (《資產評估對象法律權屬指導意見》) (Zhong Ping Xie [2017] No. 48);
16. Other criteria and basis.

(IV) Basis of asset ownership

1. Business license and Articles of Association of the valued entity and resolutions of the Company’s authorities;
2. Other procurement contracts, accounting evidence, payment evidence and other information related to the acquisition and use of assets of the valued entity;
3. Commitment in relation to property rights of the client or the valued entity.

(V) Basis of price determination

1. Asset valuation declaration form (《資產評估申報表》) provided by the valued entity;
2. Provisions for the Management of Construction Costs for Capital Projects (《基本建設項目建設成本管理規定》) (Cai Jian [2016] No. 504);
3. Financial Rules for Basic Construction (《基本建設財務規則》) (Decree No. 81 of the Ministry of Finance of the People’s Republic of China);

4. Notice of National Development and Reform Commission on Further Liberalization of the Professional Service Fees for Construction Projects (《國家發展改革委關於進一步放開建設項目專業服務價格的通知》) (Fa Gai Jia Ge [2015] No. 299);
5. Standard documents of the upfront and other expenses received by relevant state authorities and Shandong Provincial Government;
6. Common Data and Parameter Manual for Assets Valuation (《資產評估常用數據與參數手冊》);
7. Selection of Parameter Information of State Asset Valuation (《全國資產評估參數資料選編》) edited by Department of Asset Valuation of Ministry of Finance (CD-ROM);
8. Other relevant valuation information recorded and collected by valuers from on-site survey;
9. Accounting reports, financial accounting and operation provided by the valued entity, as well as relevant agreements, contracts, invoices and other financial information;
10. Statistical data, technical standard data, and price information released by relevant national departments, as well as relevant inquiry data and pricing parameter data collected by our Company;
11. Other basis of price determination.

(VI) Other reference information

1. Explanation on Matters Related to Asset Valuation (《關於進行資產評估有關事項的說明》) prepared by the client and valued entity;
2. Other reference information.

VII. VALUATION APPROACHES

(I) Selection of valuation approaches

The valuation method selected for this valuation is the asset-based approach.

(II) Reasons for selection of valuation methodologies

The basic approaches for the valuation of an enterprise mainly include the income approach, the market approach and the asset-based approach.

The income approach in enterprise value evaluation refers to the valuation approach that capitalizes or discounts the expected income to determine the value of the appraised object.

The market approach in the valuation of enterprise value refers to the valuation method that compares the valuation subject with comparable listed companies or comparable transaction cases to determine the value of the valuation subject.

The asset-based approach in the valuation of enterprise value refers to the valuation method that uses the balance sheet as at the benchmark date of the valued entity as the basis for determining the value of the valuation subject by valuing the value of the on-balance and off-balance sheet assets and liabilities of the enterprise.

Based on the valuation purpose, the valuation object, the type of value, the collected information and other relevant conditions, and subject to the application conditions of the three basic valuation methods, the valuation method selected in this valuation is the asset-based approach. The reasons for the selection of the valuation approaches are summarized as follows:

1. *Income approach*

With reference to the overall size of the valued entity and its business model, the gross profit margin of the principal business of the valued entity is relatively low under the existing business model, and its future revenue and cost projections are affected by a number of factors. These factors are based on analyses and studies under the current market and are difficult to quantify and judge accurately, which bring uncertainties to future profit forecasts and make it impossible to reasonably predict future profits and measure the risks reliably, thus it is inappropriate to use the income approach for valuation purposes.

2. *Asset-based approach*

Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) has complete accounting records. The assets and liabilities included in the valuation are clearly defined. The relevant information is relatively complete which can be reasonably used for the valuation of the value of the assets and liabilities, thus it is appropriate to use the asset-based approach for valuation purposes.

3. *Market approach*

Due to the lack of comparables in the current domestic capital market that are relatively similar or comparable to the valued entity; the information of unlisted companies is not publicly available as well as the absence of or the difficulty in obtaining relatively complete cases of similar companies, thus it is inappropriate to use the market approach for this valuation.

(III) Introduction of methodologies and processes of the valuation

1. *Monetary funds*

For bank deposits, the appraisers collect and inspect the bank statements of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) in the course of the on-site investigation and verified the relevant bank accounts by correspondence. Therefore, the verified amount will be the appraised value of bank deposits.

2. *Bills receivable*

The appraisers first check the consistency of the contents and data of the ledger, general ledger, financial statements and commission schedule, and verify the truthfulness of the occurrence of the billing business. The appraisers then conduct a stocktaking of notes receivable in inventory and reverses the notes as at the valuation date based on the stocktaking and the status of realized notes receivable from the valuation date to the stocktaking date as well as the financial records. The appraised value is calculated by estimating the probable uncollectible amount of the notes as a deduction of the risk of loss with reference to the aging analysis method. The appraised value of notes receivable is calculated as zero if there is a solid indication that the notes are uncollectible. The appraised value is determined by subtracting the risk of loss from the total amount of notes receivable.

3. *Accounts receivable*

Receivables include accounts receivable and other receivables. For the assessment of receivables, the appraisers first examine the ledger accounts of the major customers and the current evidence to obtain an understanding of the formation of the debts. As of the date of the valuation report, for those customers with no reply letter received, the appraisers will use alternative procedures for verification, such as sampling certificates.

Secondly, on the basis of the verification of the receivables is correct and with the help of historical information and current investigation, the appraisers specifically analyse the amount, time and reason of default, status of recovery, capital of the defaulter, creditability as well as operation and management condition. Based on the specific circumstances of the customer,

the risk of loss is assessed on a consolidated basis using the individual recognition method and the aging analysis method based on the aging and historical return analysis. Bad debt provision is not provided for receivables that are not individually significant and have not been impaired after separate testing. Based on the above criteria, the assessed risk of loss on accounts receivable is determined, and the assessed value is determined as the total amount of accounts receivable less the assessed risk of loss.

4. *Prepayments*

The appraisers understand the contents, reasons for formation and aging of the prepayments by checking the detailed accounts of prepayments, relevant contracts and original certificates, and conducted letter verification for large amounts. For prepayments with no reply letter received, the appraisers adopt alternative procedures to verify the prepayments, such as random checking of certificates.

Upon verification, the appraisers have not found that the counterparty has gone bankrupt, withdrawn from business or failed to provide labor or goods on time in accordance with the contract. Assets and the duration of existence based on the prepayment are assets or rights still in existence after the valuation basis date. The appraised value of prepayments will recognize its appraised value by the verified book value.

5. *Contract assets*

According to the project status and the progress of the project, the appraisers conscientiously conduct work of sorting and analysis, combined with the collection of information and data. The appraisers will analyse and determine the proportion of construction payables to the actual progress of completion of construction works based on the confirmation of the actual progress of completion of construction contracts, and whether the actual amount of expenses incurred as at the valuation date is in line with the carrying amount in the balance sheet. Based on the specific circumstances of the client, the appraisers will determine the assessed risk loss of the contract assets and determine the appraised value of the total contract assets minus the assessed risk loss.

6. *Other current assets*

The appraisers first check whether the reporting schedule of other current assets matches with the balances in the ledger, general ledger and statement, and then collect the original bookkeeping evidence such as bills arising from other current assets. During the appraisal, the verified book value is recognized as the appraised value.

7. *Fixed assets – equipment*

In accordance with the purpose of this valuation and the basis of sustainable use, based on market prices together with the characteristics of the equipment under valuation and the information collected, the valuation methodologies are applied as follows: for machinery and equipment, the replacement cost method is predominantly adopted; for electronic equipment, valuation integrates the replacement cost method with the market approach; and for transportation vehicles, the assessment primarily employs the replacement cost method supplemented by the market approach.

The cost approach is an asset valuation method in which the difference between the full cost of reacquiring or constructing an appraised asset in a new condition under current conditions and the physical depreciation, functional depreciation and economic depreciation that has already occurred for the appraised asset is used as the appraisal value of the appraised asset. The appraised value can also be determined using the replacement cost method by first estimating the newness of the asset being appraised as compared to its new condition, i.e. by identifying the newness rate, and then the product of multiplying the replacement cost and the newness rate would be regarded as the appraised value.

Formula: Appraised value = replacement cost x newness rate

According to the relevant national tax policies, the input tax on the purchase of fixed assets by an enterprise is deductible, as the purchase price of the equipment in the replacement cost of this equipment-type asset does not include value-added tax.

1 Determination of the replacement cost

A. Determination of the replacement cost of vehicles

Replacement cost = purchase price (tax inclusive) + freight and miscellaneous fees + taxes (including vehicle purchase tax) – deductible value-added tax

a. Purchase price of vehicles

According to the vehicle market information and the recent vehicle market price information from Automobile Quotation Database by pcauto.com (太平洋汽車網汽車報價庫) and yiche.com (易車網), the purchase price of the vehicles in this valuation is determined with reference to the market price of the latest transaction of the same model in the location of the vehicle.

b. Freight and miscellaneous fees

The vehicle manufacturer will bear the freight and miscellaneous fees, and the freight and miscellaneous fees will not be counted if the vehicle is delivered to the place of use of the purchasing unit.

For equipment for which the purchaser is responsible for freight and miscellaneous fees, the rate of freight and miscellaneous fees is measured according to the contract.

Freight and miscellaneous fees = Purchase price (tax inclusive) × rate of freight and miscellaneous fees

If the enterprise obtains deductible invoices for freight and miscellaneous fees, the freight and miscellaneous fees will be considered after the deduction, and the VAT rate for vehicle transportation expenses will be 9%.

c. Taxes including vehicle purchase tax

According to the relevant regulations of the Vehicle Purchase Tax Law of the PRC (《中華人民共和國車輛購置稅法》): taxable amount of vehicle purchase tax = taxable value × 10%. The “taxable value of self-use vehicles purchased by taxpayers shall not include value-added tax amount”. Therefore: purchase surtax = purchase price / (1 + 13%) × 10%.

New vehicle registration license fee: The details and amount of such fees are determined according to the location of the vehicle.

d. Deductible value-added tax of the purchase price of vehicles

In accordance with the requirements of the Cai Shui [2016] No. 36 (財稅[2016]36號), Cai Shui [2018] No. 32 (財稅[2018]32號), No. 14 Announcement of the State Taxation Administration [2019] and the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) (March 20, 2019, Announcement No. 39 2019 of the Ministry of Finance, the State Taxation

Administration and the General Administration of Customs), for those eligible for value-added tax deduction, their replacement costs will be net of the corresponding value-added tax.

Deductible value-added tax = Purchase price of the vehicle/ $1.13 \times 13\%$ + freight and miscellaneous fees/ $1.09 \times 9\%$

B. Determination of the replacement cost of electronic equipment

For electronic equipment, the manufacturer or seller usually provides free transportation and installation. Accordingly, the replacement cost of electronic equipment is determined on the basis of the tax-inclusive market price of the same model of equipment as at the valuation date based on local market information and internet pricing information, net of the amount of deductible value-added tax. i.e.

Replacement cost = pre-tax purchase price

C. Determination of the replacement cost of other equipment

For other equipment, the manufacturer or seller usually provides free transportation and installation. Accordingly, the replacement cost of other equipment is determined on the basis of the tax-inclusive market price of the same model of equipment as at the valuation date based on local market information and internet pricing information, net of the amount of deductible value-added tax. i.e.

Replacement cost = pre-tax purchase price

2 Determination of the newness rate

A. Determination of the newness rate of vehicles

The newness rate is determined by using the remaining useful life method or age method, which is calculated as follows:

Newness rate = remaining useful life/ (actual used life + remaining useful life) $\times 100\%$

Or newness rate = $(1 - \text{actual used life}/\text{economic life}) \times 100\%$

- B. The newness rate of electronic equipment is determined by using the remaining useful life method or age method, which is calculated as follows:

$$\text{Newness rate} = \text{remaining useful life} / (\text{actual used life} + \text{remaining useful life}) \times 100\%$$
$$\text{Or newness rate} = (1 - \text{actual used life} / \text{economic life}) \times 100\%$$

- C. The newness rate of other equipment is determined by using the remaining useful life method or age method, which is calculated as follows:

$$\text{Newness rate} = \text{remaining useful life} / (\text{actual used life} + \text{remaining useful life}) \times 100\%$$
$$\text{Or newness rate} = (1 - \text{actual used life} / \text{economic life}) \times 100\%$$

3 Determination of the appraised value

$$\text{Appraised value} = \text{replacement cost} \times \text{newness rate}$$

8. *Deferred Income tax assets*

Deferred income tax assets are accounted for as credits, asset impairment provision and the effect of deductible temporary differences on corporate income tax payable in future periods from tax differences arising from the use of, and provision for, expenses. In the course of the inspection, the appraisers check whether the balance of the ledger was in line with the general ledger and the balance of the statement, checked whether it was in line with the commission schedule and examined the accounting records, such as the amount of the payment, the time of occurrence and the content of the business, so as to confirm the authenticity and completeness of the deferred income tax assets.

The appraisers will recognize the appraised value of deferred income tax assets based on the results calculated by deductible temporary differences and applicable income tax rates. Deferred income tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized in future periods. In determining the amount of taxable income that is probable to be earned by an enterprise in a future period, it includes taxable income realized from normal production and operating activities in future periods as well as the increase in taxable income resulting from the reversal of taxable temporary differences in the period in which the deductible temporary differences.

9. *Accounts payable*

During the verification process, the appraisers will first check whether the statement of claim matches the balance of the ledger, general ledger and statement to understand the reason why the amount has been incurred. The appraisers then verified the accounts payable details, purchase contracts of major suppliers, purchase invoices and other relevant information, and conducted correspondence verification of large amounts of payables. As of the valuation report date, some of the reply letters were obtained and were in line with the reply letters. For those customers with no reply letters received, the appraisers adopt alternative procedures for verification, such as sampling and checking of certificates. Therefore, the appraisers adopt the verified book value as the appraised value.

10. *Employee benefits payable*

The appraisers verify the unpaid employee benefits by checking the wage statements, social insurance payment registers, accounts of wage calculation and payment details, and no abnormality was found. Therefore, the appraised value will be the verified book value.

11. *Tax payables*

The appraisers check the tax payable account, tax return, tax completion certificate and other information to verify the tax filing and payment status, and no abnormality was found. Therefore, the appraised value will be the verified book value.

12. *Other payables*

In respect of other payables, the appraisers examine the detailed accounts and sampled relevant documents, accounting evidence and other information, which were reconciled. Therefore, the appraised value will be the verified book value.

VIII. PROCESS AND DETAILS OF IMPLEMENTATION OF VALUATION PROCEDURES

(I) Clarification of the basic matters of the asset valuation business

Expressly indicate the client, other users of the asset valuation report, the valued entity, valuation purpose, appraised object and valuation scope, value type, valuation reference date, scope of use of the asset valuation report, valuation report submission date and manner and other basic matters for the assessment, through obtaining the overall plan from the client.

(II) Entering into of the asset valuation engagement contract

The Company will, based on the basic information on the asset valuation business obtained, conduct a comprehensive analysis and evaluation of its professional competence, independency and business risks, and will finally determine whether to enter into an asset valuation engagement contract with the client.

(III) Preparing the asset valuation plan

1. Form a valuation engagement team based on the specific circumstances of the valuation project and identify the project leader and project team personnel. The project leader shall prepare an asset valuation plan, make arrangements for the specific implementation procedures, time requirements and division of labor of the valuation project, and report the asset valuation plan to the relevant personnel of the Company for review and approval.
2. According to the characteristics of the assets under the appraisal engagement, the asset appraisal declaration breakdowns and the relevant asset questionnaire are arranged in a targeted manner to determine the required information list. Professional appraisers will guide the appraised object to complete the asset appraisal declaration forms and provide appraisal information to ensure the quality of the appraisal declaration information.
3. To ensure the quality and improve the efficiency of the appraisal engagement, the members of the project team will receive training to understand the specific arrangement of the appraisal work plan, explanation of the background of the economic behavior of the transaction, the characteristics of the assets involved in the appraised object, the general technical considerations of the appraisal and the specific operational requirements.

(IV) Site Inspection

According to the approved asset valuation plans, the appraisers station in the valued entity for on-site investigation, so as to conduct the necessary inventory and verification of the assets and liabilities involved in the appraised object and conduct the necessary on-site investigation of the operating and management conditions of the valued entity.

1. *Asset verification*

- (1) Instruct the relevant personnel of the valued entity to fill in the information of the assets included in the scope of appraisal in a detailed and accurate manner on the basis of their own asset inventory and in accordance with the “asset valuation declaration sheets” and the information list provided by the appraisal organization, and at the same time, collect and prepare the property right documents and relevant operating and financial information of the assets.
- (2) Preliminary review and improve the asset appraisal declaration forms filled out by the valued entity, check with the relevant financial records of the enterprise data, check for any incomplete, wrong or unclear entries, understand the issues identified, and timely feedback to the valued entity to improve the “asset valuation declaration sheets”.
- (3) On-site inspection. According to the type, quantity and distribution of the assets included in the scope of appraisal, the appraisers, with the cooperation of the relevant personnel of the valued entity and in accordance with the relevant provisions of the asset appraisal standards, conducted an inventory and on-site survey of the quantity, quality and use as at the benchmark date of each asset, and adopted various methods, such as interviews, verification, correspondence, monitoring and surveys, to assess the nature and characteristics of the appraised object and the assets in question in accordance with the nature and characteristics of different assets. The assets and liabilities involved were fully understood and verified.
- (4) To supplement, revise and improve the asset appraisal declaration forms, the appraisers shall further improve the “asset valuation declaration sheets” according to the results of on-site inspections and comprehensive communication with the relevant personnel of the appraised object, so as to make the accounts, forms and facts consistent.

- (5) Asset appraisal professionals paid attention to the legal ownership of the appraised object, verified and examined the originals of important legal documents related to the rights and interests of the appraised object, such as agreements, contracts, articles of association, share certificates and other relevant important legal documents, collected relevant ownership information and checked whether the assets included in the scope of appraisal involved mortgages, guarantees and litigation matters.

2. *Due diligence review*

To understand the existing conditions of the subject of valuation comprehensively and adequately, the valuers conducted the necessary due diligence review through conducting interviews, searches, enquiries and so on. Main contents of the due diligence review were as follows:

- (1) History and development, controlling shareholders and shareholding proportion, operation and management structure and ownership structure of the valued entity;
- (2) Assets, finance, production and operation management status and profit model of the valued entity;
- (3) Business structure, allocation and utilization of assets of the valued entity;
- (4) Non-operating assets, liabilities and surplus assets of the valued entity;
- (5) Core assets of the valued entity;
- (6) Information on operating plans, future development plans and profit forecast of the valued entity;
- (7) Own strengths and weaknesses, competitiveness and risk profile of the valued entity;
- (8) Previous valuations and transactions of the valued entity;
- (9) Macro and regional economic factors affecting the production and operation of the valued entity;
- (10) The valued entity's development status and prospects of the industry in which it operates;
- (11) Tax concessions enjoyed by the valued entity;
- (12) Other relevant matters for investigation.

(V) Collecting and sorting out the valuation data

On the basis of on-site investigation, the appraisers will collect all materials and information in connection with this valuation as required, including the financial information, property ownership certificates of the valued entity, market transaction information of relevant assets, industry information and relevant market data.

(VI) Forming the conclusion upon the assessment

Pursuant to the on-site investigation and the collected valuation information, combined with the actual condition and characteristics of the appraised object, the corresponding evaluation method has been selected to assess the market value of the appraised object, so that form valuation conclusions thereon.

(VII) Preparing and issuing the valuation report

The appraisers will prepare an asset valuation report based on the work above and will issue and submit the report to the client after internal consideration and approval by the Company.

(VIII) Sorting and keeping the valuation files

The appraisers organize the working papers, asset valuation report and other relevant information to form asset valuation documents.

IX. ASSUMPTIONS OF VALUATION

The valuation conclusions contained in this asset valuation report are established on the following valuation assumptions, including assumptions of valuation basis and assumptions of valuation conditions:

(I) Baseline for valuation assumptions**1. *Assumptions of transaction basis***

Assuming that the valued items or all the appraised assets are in the course of market transactions as at the valuation benchmark date, the asset valuation professionals carried out the corresponding value estimates or calculations based on simulated markets such as the market conditions and the trading conditions for the valued items or all the appraised assets at the valuation benchmark date.

2. *Assumptions of public market basis*

It is assumed that the market on which the appraised object or all the assets under valuation are traded as at the valuation benchmark date is an open market. An open market is a market in which at least the following conditions are met: (1) there are a sufficient number of purchasers in the market and they are of equal ranking and all purchasers are voluntary, rational and have sufficient expertise; (2) there are a sufficient number of sellers in the market and they are of equal ranking and all sellers are voluntary, rational and have sufficient expertise; (3) all purchasers and sellers in the market are of equal ranking; (4) all trading rules in the market are clear and open; (5) all purchasers and sellers in the market are well informed and have access to the same and sufficient trading information; and (6) all transactions in the market are conducted freely for a sufficient period of time and not under mandatory or unrestricted conditions.

3. *Going concern/continuous use basis assumption*

It is assumed that the economy corresponding to the valuation items continues to operate in accordance with its established business objectives based on the operating team, financial structure, business model and market environment at the valuation benchmark date. It is assumed that all assets/liabilities corresponding to the valuation items continue to be used in the manner, scale, frequency and environment that they are currently used and utilised.

(II) Assumptions of valuation conditions

1. *Assumptions of external conditions assessment*

It is assumed that there are no significant changes in the relevant laws, regulations and policies in force in the PRC, the macroeconomic situation in the PRC and no significant changes in the political, economic and social environment of the regions in which the parties to the transaction are located. It is assumed that there are no significant changes in interest rates, exchange rates, tax bases and rates, policy levies and financing conditions. It is assumed that there are no other act of God and unforeseen factors that would have a material adverse impact on the corporate.

2. *Assumption of information necessary for the assessment provided by the client and the related parties*

It is assumed that, the information necessary for the valuation (including but not limited to the valuation information reported in the asset valuation schedules, operation data and information relating to the valued items and the assets and liabilities covered by its corresponding valuation scope, relevant financial reports and information and other important information) provided by the client and the relevant parties (representing the entity and its staff who have the responsibility and obligation to provide the information necessary for the valuation in accordance with the relevant provisions of the relevant laws and regulations and valuation standards of the PRC and the economic activities corresponding to the purpose of the valuation, including but not limited to: the valued entity of the appraised object or their actual controllers; the valued entity and its related parties; the actual owners, users, controllers, managers, creditors and debtors in relation to the appraised object and the assets and liabilities covered by their corresponding scope of valuation are true, complete, lawful and valid.

This valuation relies heavily on the information provided by the client and the relevant parties as necessary for this valuation. Although the client and the relevant parties have undertaken to the Company that the information provided by them is true, complete, lawful and valid, and the valuation professionals of the Company have conducted such random verification as we consider appropriate in the course of the on-site investigation, including observation, enquiry, written review, site investigation, enquiry, correspondence, review, and have described the relevant circumstances in this Asset Valuation Report, which does not imply any warranty as to its accuracy.

3. *Assumptions on information obtained from sources other than the client and related parties*

It is assumed that the information obtained from sources other than the client and related parties in this valuation reasonably reflects the corresponding market transaction logic, market transaction conditions, market operation conditions or market development trends. For the price-related standards and parameters cited in this valuation, we have truthfully disclosed in this asset valuation report.

4. *Assumptions on the legal ownership of the appraised object and its related important assets*

Unless otherwise stated, described and considered in this asset valuation report, the acquisition, use and holding of the valued target asset and all appraised assets are assumed to conform to the provisions of national laws, regulations and normative documents — that is, their legal ownership is clear.

This valuation is to estimate the value of the valued target asset and express professional opinions, and to confirm or express opinions on the legal ownership of the valued target asset and all the appraised assets is beyond the practice scope of asset valuation professionals. We do not provide any guarantee for the legal ownership of the valued target asset and all appraised assets.

5. *Other assumptions*

Unless otherwise stated in this Asset valuation report, the following matters are assumed to be in normal condition: 1) The internal structures, performance, quality, characteristics and functions of all physical assets are assumed to be normal; 2) All the assets to be evaluated are assumed to be recorded, kept and stored in compliance with the requirements of laws or professional specifications, and therefore they are in a safe, economical and reliable environment, and the possible risk factors do not fall within the scope of this valuation.

Although the valuation procedure we adopted already includes the on-site investigation of the appraised assets, this kind of investigation is limited to the observation of the visible part of the appraised assets, as well as the spot check and limited understanding of relevant management, use and maintenance records. We do not have the ability to understand the expertise of the internal structure, material properties, safety or reliability of any entity assets, nor are we qualified to test, inspect or express opinions on these items.

X. VALUATION CONCLUSION

In accordance with the national laws, regulations, rules and valuation standards on asset valuation, and in line with the principles of independence, impartiality and objectivity, we carried out the statutory and necessary procedures for asset valuation by adopting the recognized valuation methods to conduct a valuation on the entire equity of shareholders of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) in relation to the increase in the registered capital of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) by Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公司). Through analysing the valuation results, we conclude to conduct our valuation by using the asset-based approach under the premise of going concern of the valued entity, open market and appropriate assumptions. As at the valuation date (i.e. August 31, 2024), the valuation conclusion is as follows, which is based on the above valuation:

The book value of total assets under the scope of this valuation was RMB109.6785 million and its valued value was RMB109.6997 million, representing an appreciation of RMB21,200 or an appreciation rate of 0.02%.

The book value of total liabilities was RMB74.8119 million and its valued value was RMB74.8119 million, representing an appreciation of RMB0.00 or an appreciation rate of 0.00%.

The book value of entire equity of shareholders (net assets) was RMB34.8666 million and its valued value was RMB34.8878 million, representing an appreciation of RMB21,200 or an appreciation rate of 0.06%.

Summary of the detailed valuation is shown in the following table:

Summary table of asset valuation results

Unit: RMB'0,000

	Item	Book value A	Appraised value B	Appreciation/ Depreciation in value C=B-A	Appreciation rate (%) D=C/A×100%
1	Current assets	10,923.01	10,921.64	-1.37	-0.01
2	Non-current assets	44.84	48.33	3.49	7.78
3	Of which: Debt investment				
4	Other debt investments				
5	Long-term receivables				
6	Long-term equity investment				
7	Other equity instrument investment				
8	Other non-current financial assets				
9	Investment properties				
10	Fixed assets	11.85	14.99	3.14	26.50
11	Construction in progress				
12	Productive biological assets				
13	Oil and gas assets				
14	Right-of-use assets				
15	Intangible assets				
16	Development expenses				
17	Goodwill				
18	Long-term deferred expenses				
19	Deferred income tax assets	33.00	33.34	0.34	1.03
20	Other non-current assets				
21	Total assets	10,967.85	10,969.97	2.12	0.02
22	Current liabilities	7,481.19	7,481.19		
23	Non-current liabilities				
24	Total liabilities	7,481.19	7,481.19		
25	Net assets (owners' equity)	3,486.66	3,488.78	2.12	0.06

The value of entire equity of shareholders of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) is RMB34.8878 million.

The validity period of the conclusion of this asset valuation report is one year from the valuation benchmark date (i.e. August 31, 2024) to August 30, 2025.

The valuation conclusion as set out in this asset valuation report did not take into account of the possible effects to equity value due to control, equity liquidity and other factors.

XI. NOTES ON SPECIAL MATTERS

The valuation conclusions contained in this asset valuation report reflect only the market value of the valued entity as determined in accordance with the relevant economic principles for the purpose of this valuation, the price value type and the valuation assumptions. In our opinion: the following matters identified in the course of our valuation may affect the valuation conclusions, but we are unable to estimate the extent to which they will affect the valuation results in the current circumstances. We draw the attention of users of this asset valuation report to the impacts of these matters on economic activities.

(I) Incomplete or defective ownership information

There is no incomplete or defective information on ownership in respect of this valuation.

(II) Restriction on the valuation procedures

There is no restriction on the valuation procedures in respect of this valuation.

(III) Incomplete valuation information

There is no incomplete valuation information in respect of this valuation.

(IV) Legal, economic and other outstanding issues at the valuation benchmark date

There are no legal, economic and other outstanding issues at the valuation benchmark date in respect of this valuation.

(V) Nature, amount, and relationship with the valued target of matters such as guarantees, leases, and their contingent liabilities (or assets)

There are no guarantees, leases and their contingent liabilities (contingent assets) of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) identified in this valuation.

(VI) Matters that may have an impact on the valuation conclusion between the valuation benchmark date and the date of the asset valuation report

No matters that may have an impact on this valuation conclusion between the valuation benchmark date and the date of the asset valuation report have been identified in respect of the valued entity in this valuation.

(VII) Defects in the economic behaviour corresponding to the assets valuation that may have a significant impact on the valuation conclusion

No factors are found to exist in this valuation where economic behavior per se had a significant impact on this valuation conclusion.

XII. EXPLANATIONS ON THE RESTRICTIONS FOR THE USE OF THE ASSET VALUATION REPORT

(I) Scope of use of the asset valuation report

1. Restrictions on the scope of users of this asset valuation report: The users of this asset valuation report shall be limited to and restricted to the client and the users of this asset valuation report as required by laws and administrative regulations, i.e. this asset valuation report shall only be used by the client and the users of this asset valuation report as required by laws and administrative regulations; in addition to that, no other institution or individual shall become a user of this asset valuation report.
2. Restrictions on the scope of use or purpose of use of this asset valuation report: The users of this asset valuation report shall use it in accordance with the provisions of laws and administrative regulations and the purpose of valuation set out in this asset valuation report, i.e. this asset valuation report shall only be used for the economic activities corresponding to the purpose of valuation set out in this asset valuation report in accordance with the provisions of laws and administrative regulations, and in addition to that, the asset valuation report shall not be used in any other circumstances.
3. Restrictions on the scope of validity of the valuation conclusions contained in this asset valuation report: The validity of valuation conclusions as set out in this asset valuation report shall not exceed one year from the valuation benchmark date.
4. Restrictions on extracts, quotations or disclosure of this asset valuation report: The contents of this asset valuation report shall not be extracted, quoted or disclosed in the public media without the written consent of the Company, except as otherwise provided in the laws and administrative regulations and the asset valuation engagement contract.

(II) Explanations of liability for the use of this asset valuation report beyond the scope of use

If the users of the asset valuation report do not use it in accordance with the laws, administrative regulations and the scope of use set out above, the Company and the undersigned asset appraisers shall not be liable.

(III) Explanations on the limitations on the use of the asset valuation report

1. The valuation conclusions should be properly understood and used by the user of this the asset valuation report. The assessment conclusion is not equivalent to the realizable price of the appraised object and should not be regarded as a guarantee of the realizable price of the appraised object.
2. The user of this asset valuation report should pay attention to the assumptions under which the valuation conclusion is established and the valuation conclusion will not be established under general situation when the actual situation at the time of using the valuation conclusion contained in this asset valuation report is no longer consistent with the situation at the valuation benchmark date or the valuation assumptions contained in this asset valuation report.
3. The user of this asset valuation report should pay attention to the explanations of particulars and take corresponding measures in the course of implementing the economic activities corresponding to the purpose of the valuation.

XIII. DATE OF THE ASSET VALUATION REPORT

The date of this asset valuation report is November 13, 2024.

Several annexes attached in this asset valuation report are part of this asset valuation report.

This page is intended for signature of the asset valuation report (Lu Xin Tian Di Ping Bao Zi (2024) No. Y10036) with no text.

Shandong Xintiandi Land and Real Estate
Assets Appraisal Co., Ltd.*
(山東新天地土地房地產資產評估有限公司)
Jinan, the PRC
November 13, 2024

Asset valuer:

Asset valuer:

ANNEXES OF THE ASSET VALUATION REPORT

1. Photocopies of business license of the client;
2. Photocopies of business license of the valued entity;
3. Letter of commitment from the client and the valued entity;
4. The Resolution of General Manager's Office Meetings of Lushang Life Services Co., Ltd. (No. [2024]11-1) (《魯商生活服務股份有限公司總經理辦公會會議決議([2024]11-1號)》);
5. Audit Report of Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) as at the valuation benchmark date;
6. Letter of commitment from the undersigned asset appraiser;
7. Photocopies of business license of the asset valuation institution;
8. Photocopies of the filings or qualification certificates of the asset valuation institution;
9. Photocopies of the registration card of the professional qualification certificate of the undersigned asset valuer;
10. Asset valuation schedules.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

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

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

Name	Name of associated corporation	Nature of interest	Number of Shares interested	Approximate percentage of shareholding
Mr. Wang Zhongwu	Lushang Freda	Beneficial owner	100,000 ⁽¹⁾	0.0099%
Mr. Wang Hongtao	Lushang Freda	Beneficial owner	70,000 ⁽²⁾	0.0069%
Mr. Zhang Xiangqian	Lushang Freda	Beneficial owner	26,667 ⁽³⁾	0.0026%

Notes:

- (1) Mr. Wang Zhongwu was interested in 100,000 shares of Lushang Freda.
- (2) Mr. Wang Hongtao was interested in 70,000 shares of Lushang Freda.
- (3) Mr. Zhang Xiangqian was interested in 26,667 shares of Lushang Freda.

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

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

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

(i) Long positions in Shares

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

Name	Nature of interest	Class of Shares	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total Shares ⁽³⁾
CHINA INTERNATIONAL ECONOMIC TRADING LIMITED	N/A ⁽⁵⁾	H Shares	4,680,000 (L)	14.04%	3.51%
LU DUNKE ⁽⁶⁾	Interest in controlled corporation	H Shares	3,650,000 (L)	10.95%	2.74%
Wenshang County Science Advancement and Construction Security and Workforce Co., Ltd.* (汶上縣科進建安勞務 有限責任公司) ⁽⁶⁾	Beneficial owner	H Shares	3,650,000 (L)	10.95%	2.74%
FAN QINYUAN ⁽⁷⁾	Interest in controlled corporation	H Shares	3,025,000 (L)	9.07%	2.27%
Nantong Chen Yun Construction Workforce Co., Ltd.* (南通辰運建築勞務有限公司) ⁽⁷⁾	Beneficial owner	H Shares	3,025,000 (L)	9.07%	2.27%
Shandong Tian Qi Venture Capital Co., Ltd.* (山東天齊創業投資有限公司) ⁽⁷⁾	Beneficial owner	H Shares	2,254,500 (L)	6.76%	1.69%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Calculated based on the Company’s 100,000,000 Domestic Shares or 33,340,000 H Shares in issue as at the Latest Practicable Date.
- (3) Calculated based on the total number of 133,340,000 Shares in issue as at the Latest Practicable Date.
- (4) Lushang Freda is owned as to 51.62% by Shandong Commercial and 1.69% by Lushang Group Co., Ltd., a company owned as to 68.15% by Shandong Commercial. By virtue of the SFO, Shandong Commercial is deemed to be interested in the Shares held by Lushang Freda. Green Development holds 4,900,000 Shares, representing 3.67% of the total Shares in issue. As at the Latest Practicable Date, Green Development was wholly owned by Shandong Urban and Rural, which is wholly owned by Shandong Commercial. By virtue of the SFO, Shandong Commercial is deemed to be interested in the Shares held by Green Development.

- (5) Based on the disclosure of interests form submitted by CHINA INTERNATIONAL ECONOMIC TRADING LIMITED on July 11, 2022 in respect of the relevant event that occurred on the date of the listing of the Shares on the Stock Exchange, being July 8, 2022.
- (6) Wenshang County Science Advancement and Construction Security and Workforce Co., Ltd.* (汶上縣科進建安勞務有限責任公司) is a company beneficially wholly-owned by LU DUNKE.
- (7) Nantong Chen Yun Construction Workforce Co., Ltd.* (南通辰運建築勞務有限公司) is a company beneficially wholly-owned by FAN QINYUAN.

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

3. EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, (i) Mr. Wang Zhongwu is a director of Shandong Urban and Rural (ii) Ms. Li Han is an assistant to a director of the finance department of Shandong Commercial, and both Shandong Urban and Rural and Shandong Commercial have an interest in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

4. COMPETING INTERESTS

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

5. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors and Supervisors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased, or which were proposed to be acquired, disposed of by or leased to any member of the Group since December, 31, 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

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

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors had confirmed that there had been no material adverse change in the financial or trading position of the Group since December 31, 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. LITIGATION

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

9. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

10. EXPERTS AND CONSENTS

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

Name	Qualification
Silverbricks Securities Company Limited	a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder
Shandong Xintiandi Land and Real Estate Assets Appraisal Co., Ltd.* (山東新天地土地房地產資產評估有限公司)	qualified asset valuer

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

As at the Latest Practicable Date, each of the Independent Valuer and the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been, since the date to which the latest published audited consolidated financial statements of the Group were made up (i.e. December 31, 2024), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. DOCUMENTS ON DISPLAY

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

- (a) the letter from the Board, the text of which is set out on pages 6 to 19 of this circular;
- (b) the letter of recommendations from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages IBC-1 to IBC-2 of this circular;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages IFA-1 to IFA-22 of this circular;
- (d) the written consents referred to in the paragraph headed “10. Experts and consents” in this appendix; and
- (e) the Capital Increase Agreement.

12. MISCELLANEOUS

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

* For identification purpose only

NOTICE OF THE EGM



Lushang Life Services Co., Ltd.

魯商生活服務股份有限公司

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

(Stock Code: 2376)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Lushang Life Services Co., Ltd. (the “**Company**”) will be held at 38th Floor, Block 5, Lushang Guo’ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC on Friday, June 27, 2025 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as the ordinary resolution of the Company (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated May 30, 2025 (the “**Circular**”)):

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Capital Increase Agreement dated March 21, 2025 entered into between Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公司) (the “**Investor**”) as the investor, the Company and Shandong Blue Shore Garden Engineering Co., Ltd* (山東藍岸園林工程有限公司) (the “**Target Company**”) as the target company (the “**Capital Increase Agreement**”) in relation to the proposed capital contribution in the Target Company in an aggregate amount of RMB36,320,000.00 by the Investor pursuant to the Capital Increase Agreement (the “**Capital Increase**”) (a copy of the Capital Increase Agreement marked “A” is produced to this meeting and initialled by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

NOTICE OF THE EGM

- (b) any one or more directors of the Company (the “**Director(s)**”) (or any person authorised by them) be and is/are hereby authorised to prepare, sign, execute and deliver all such other documents, instruments and agreements for and on behalf of the Company, to take any and all steps and to do all such other or further acts and things considered necessary, appropriate, expedient or desirable by such Director(s) (or any person authorised by them) to implement and/or give effect to the Capital Increase Agreement, the Capital Increase and the transactions contemplated thereunder, and to agree to all such variation, revision, amendments or waiver of matters relating thereto as are, in the opinion of the Director(s) (or any person authorised by them), in the interests of the Company.”

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

Hong Kong, May 30, 2025

*Registered office and headquarters
in the PRC*

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

*Principal place of business
in Hong Kong*

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

Notes:

1. Individual shareholders who wish to attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account cards. Proxies of individual shareholders shall produce their effective proof of identity and form of proxy. A corporate shareholder should attend the meeting by its legal representative or proxy appointed by the legal representative. A legal representative who wishes to attend the meeting should produce his/her identity card or other valid documents evidencing his/her capacity as a legal representative. If appointed to attend the meeting, the proxy should produce his/her identity card and an authorisation instrument duly signed by the legal representative of the corporate shareholder.
2. A form of proxy for use at the EGM or any adjournment thereof is enclosed. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

NOTICE OF THE EGM

4. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders), or to the registered office of the Company at Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC (for domestic Shareholders) as soon as possible and in any event not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
5. For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, June 24, 2025 to Friday, June 27, 2025, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents together with the relevant share certificates must be lodged for registration the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders), or to the registered office of the Company at Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, the PRC (for domestic Shareholders) not later than 4:30 p.m. (Hong Kong time) on Monday, June 23, 2025.
6. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
7. Pursuant to Rule 13.39(4) of the Listing Rules, all resolution at the EGM will be conducted by way of a poll. Results of the poll voting will be posted on the website of the Company (www.lushangfuwu.com) and the website of the Stock Exchange (www.hkexnews.hk) upon the conclusion of the EGM.
8. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.
9. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version.

As at the date of this notice, the board of directors of the Company comprises Mr. WANG Zhongwu as Chairman and executive Director, Mr. NING Daoju and Mr. SHAO Meng as executive Directors, 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.