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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)**

**SUPPLEMENTAL ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTIONS  
ANNUAL CAP EXCEEDED**

References are made to the announcement of Lushang Life Services Co., Ltd. (the “**Company**”) dated November 20, 2023 (the “**CCT Announcement**”), the circular of the Company dated December 11, 2023 (the “**CCT Circular**”) and the announcement of the Company dated April 25, 2025 (the “**Annual Cap Announcement**”) in relation to, among others, the entering into of the New Master Property Management and Related Services Agreement between the Company and Shandong Commercial and the exceeding of the annual cap. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the CCT Announcement, the CCT Circular and the Annual Cap Announcement.

As disclosed in the Annual Cap Announcement, in preparing the annual report of the Company for the year ended December 31, 2024, the Company noted that the actual transactions amount with Lushang Freda Associates under the New Master Property Management and Related Services Agreement for the year ended December 31, 2024 was RMB5,481,073.98, which exceeded the annual cap by RMB481,073.98 (the “**Exceeding of Annual Cap**”). The Company wishes to provide further information of the Exceeding of Annual Cap.

**DETAILS OF DISCOVERY OF THE EXCEEDING OF ANNUAL CAP**

Pursuant to the internal control procedures of the Company which are mentioned below, the finance department of the Company would report the transactions amount of the continuing connected transactions on a monthly basis.

In early December, 2024, the finance department of the Company routinely reviewed and reported that transactions amount with Lushang Freda Associates under the New Master Property Management and Related Services Agreement for the 11 months ended November 30, 2024 was RMB4,236,356.94, which has not exceeded the annual cap.

In early January, 2025, the finance department of the Company routinely reviewed and reported that transactions amount with Lushang Freda Associates under the New Master Property Management and Related Services Agreement for the year ended December 31, 2024 was RMB4,666,288.83, which still has not exceeded the annual cap.

However, subsequently in early January, 2025, when the finance department and business development department of the Company conducted annual checking on the contract amount and the accounting entries (the “**the annual Checking**”) for the year ended December 31, 2024, the finance department of the Company discovered that actual transactions amount with Lushang Freda Associates under the New Master Property Management and Related Services Agreement for the year ended December 31, 2024 was RMB5,481,073.98, which exceeded the annual cap by RMB481,073.98. Upon immediate investigation, the finance department discovered that the discrepancy between the monthly reported transactions amount (which has not exceeded the annual cap) and the actual transactions amount (which exceeded the annual cap) was due to the omission of the amount of transactions under the Catering Agreement (as defined below) throughout the year ended December 31, 2024.

The finance department of the Company immediately reports its finding to the management of the Company and hence the management of the Company has discovered the Exceeding of Annual Cap in January, 2025.

## **DETAILS OF EXISTING INTERNAL CONTROL PROCEDURES AND PREVIOUS REMEDIAL MEASURES**

### **Existing Internal Control Procedures**

The Company has taken the internal control procedures as disclosed in the CCT Announcement and the CCT Circular during the year ended December 31, 2024 and up to the date of this announcement to ensure the transactions amount under the Supplemental Agreements and the New Agreements, including the New Master Property Management and Related Services Agreement, would not exceed the relevant annual caps, the details of which are as follow.

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

The relevant personnel and management of the Group has reviewed and assessed the terms before entering into each individual agreement to ensure they are consistent with the principles and provisions set out in the New Master Property Management and Related Services Agreement.

In order to ensure the price terms are in accordance with the New Master Property Management and Related Services Agreement and with reference to prevailing market prices of similar services, before entering into any individual agreement, the business development department has referred to the following information:

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

After collecting the relevant information, the business development department of the Group has determined a price to be offered to Lushang Freda Associates and Shandong Commercial Associates (as the case may be) which is not be less than the prices offered by the Group to Independent Third Parties for transactions contemplated under the New Master Property Management and Related Services Agreement.

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

Further, the finance department of the Group has monitored the transactions amount and monthly report has been made by the management team in relation to the aggregate transactions amount and utilization rates of the annual caps to ensure that the annual caps under the New Master Property Management and Related Services Agreement will not be exceeded. In addition, where a threshold of 80% of the utilization rate is met, the finance department shall alert the management team to consider revising the annual caps in accordance with the relevant requirements of the Listing Rules.

In addition, the respective pricing policies for the continuing connected transactions of the Company under the New Master Property Management and Related Services Agreement has been supervised and monitored by the relevant personnel and management of the Company to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policies of the Company and will not be prejudicial to the interests of the Company and the Shareholders as a whole. The relevant personnel and management of the Company has conducted regular checks and assess whether individual transactions contemplated under continuing connected transactions are conducted in accordance with the terms of the relevant agreement and will also regularly review whether the price charged/paid for a specific transaction is fair and reasonable and in accordance with the applicable pricing policy. The independent non-executive Directors has continued to review the transactions contemplated under the New Master Property Management and Related Services Agreement, and the auditor of the Company has also conducted an annual review on the pricing terms and annual caps thereof.

### **Previous Remedial Measures**

Moreover, the Company has taken the remedial measures as disclosed in the CCT Announcement and the CCT Circular to prevent similar non-compliance of Rule 14A.54(1) of the Listing Rules, including (i) communicating with Lushang Freda and Shandong Commercial the requirements under Chapter 14A and requesting them to timely inform the Company on any event that may affect the terms of the continuing connected transactions; and (ii) requesting Lushang Freda and Shandong Commercial to confirm a list of entities under Lushang Freda Associates and Shandong Commercial Associates on a monthly basis (the “**Previous Remedial Measures**”).

Each of Lushang Freda and Shandong Commercial has communicated with the Company and confirmed a list of entities under Lushang Freda Associates and Shandong Commercial Associates on a monthly basis pursuant to the Previous Remedial Measures during the year ended December 31, 2024 and up to the date of this announcement.

## **Management System Regarding Continuing Connected Transactions**

To facilitate implementation of the abovementioned existing internal control procedures and the Previous Remedial Measures, the Company has established a contract management system (the “**Contract Management System**”).

The Contract Management System incorporates a classification mechanism to systematically categorise all continuing connected transactions. All newly entered contracts shall be promptly input into the Contract Management System manually and the Contract Management System would then automatically classify the transactions, hence accomplishing automated consolidation of transaction data and performing real-time monitoring against the relevant annual caps. The Contract Management System is designed to generate immediate alerts should any transactions amount approaching the relevant annual caps.

The Contract Management System operates in conjunction with the Company’s established monthly reporting and statistical analysis procedures for continuing connected transactions, thereby strengthening compliance oversight and internal governance.

## **REASONS FOR THE EXCEEDING OF ANNUAL CAP**

The Exceeding of Annual Cap occurred despite the abovementioned existing internal control procedures and the Previous Remedial Measures due to the following reasons.

As disclosed in the Annual Cap Announcement, the Exceeding of Annual Cap was primarily due to our active expansion of the property businesses of the complexes related to Lushang Freda Associates during the year ended December 31, 2024, and in order to enhance customer’s loyalty and further enrich our services’ ecosystem, we have introduced an innovative model to bring in the food and beverage services related to property operation catering towards the needs of customers, and thus resulting in an unexpected growth in our businesses, causing the actual transactions amount with Lushang Freda Associates to slightly exceed the annual cap.

The underlying contract concerned under the abovementioned business expansion is the Catering Agreement (as defined below).

In order to meet the diversified service needs required by Lushang Freda at its production park, pursuant to the New Master Property Management and Related Services Agreement, on July 15, 2024, the Company entered into a catering service agreement (the “**Catering Agreement**”) with Shandong Freda Biological Co., Ltd.\* (山東福瑞達生物股份有限公司), a Lushang Freda Associate, pursuant to which the Company agreed to provide catering services to Lushang Freda Associates.

However, the transactions under the Catering Agreement failed to be timely recorded in the Contract Management System. Upon internal investigation, it was discovered that such failure was due to the fact that the personnel responsible for inputting the data regarding the Catering Agreement to the Contract Management System had inadvertently omitted conducting such input “(the **“Data Entry Omission”**)”. Consequently, the Contract Management System failed to taken into account the actual transactions amount under the Catering Agreement when it was automatically consolidating transaction data and performing real-time monitoring against the relevant annual caps. Therefore, the Contract Management System fails to generate immediate alerts in respect of the transactions of Lushang Freda Associates under the New Master Property Management and Related Services Agreement.

Upon investigation, it was further discovered that the relevant personnel of the finance department failed to check the accuracy of the data of the Contract Management System during its monthly reporting and did not manually checked the actual transactions amount until the Annual Checking.

Furthermore, upon internal review of the occurrence of the Exceeding of Annual Cap, it was discovered that the business development department failed to timely to inform the finance department and the legal and compliance department of the Company, hence the finance department and legal and compliance department could not conduct pre-assessment on the impact of the transactions amount to be generated by the Catering Agreement to the overall transactions amount with Lushang Freda Associates under the New Master Property Management and Related Services Agreement. Hence, there was still some degree of ineffectiveness regarding the internal communication of various department of the Company, despite the existing internal control procedures and the Previous Remedial Measures.

Moreover, as mentioned above, by the time (i.e. January, 2025) the management of the Company has discovered the Exceeding of Annual Cap, it was already too late for the Company to revised the annual cap for the year ended December 31, 2024 for the transactions with Lushang Freda Associates under the New Master Property Management and Related Services Agreement.

## IMPLEMENTATION OF THE NEW REMEDIAL MEASURES

As disclosed in the Annual Cap Announcement and as further provided below, in order to ensure the Company's compliance with the applicable Listing Rules requirements going forward and with a view to preventing such event from reoccurring, the Company has taken the following measures to further enhance and strengthen its internal control in respect of its continuing connected transactions (the "**New Remedial Measures**"):

- (a) the Company will arrange on a regular basis additional trainings for its employees, including the business operation, finance, and company secretarial departments, to strengthen their familiarity of the Listing Rules and enhance their awareness of the compliance with the relevant internal control procedures relating to the Group's continuing connected transactions;
- (b) the Group will promote and facilitate effective communication between its different departments and between members of the Group, and specifying the data collection process, so as to assure all necessary requirements of the Listing Rules are complied with;
- (c) all members of the Group will be required to report to the finance department of the Company which will closely monitor the actual transactions amount relating to its continuing connected transactions on a regular basis. If the actual transactions amount reaches 80% of the proposed annual caps of the relevant continuing connected transactions at any time, the matter shall promptly be escalated to the financial controller of the Company, who will seek advice from the audit committee of the Company and the Board for appropriate measures, including but not limited to revising the relevant proposed annual caps in accordance with the requirements of the Listing Rules, if necessary;
- (d) the Company will introduce full automation to the Contract Management System where, by incorporating the list of connected persons of the Company into it, immediately upon the business development department's submission of the proposed contract(s) to be entered with any connected person(s) of the Company for final internal approval, the Contract Management System will automatically identify such contract(s) as connected transactions and record the data of such contract(s); and
- (e) the finance department shall retrieve the connected transactions data from the Contract Management System, verify the data by confirming the same with the business development department, and include its findings regarding data accuracy in its monthly reporting to the Board.

The additional trainings pursuant to paragraph (a) above will be provided on a monthly basis by the legal and compliance department of the Company and/or external service providers to be engaged by the Company from time to time in various forms such as workshops and seminars, including training on the use of the Contract Management System.

The Group will promote and facilitate effective communication pursuant to paragraph (b) above by requiring all departments, especially the business development department, the finance department and the legal and compliance department to have regular meeting on a weekly basis.

All members of the Group will be required to report to the finance department of the Company pursuant to paragraph (c) above on a monthly basis regarding the transactions amount and any possible contracts to be entered with any connected parties.

The introduction of the full automation to the Contract Management System pursuant to paragraph (d) above is a one-time measure while the relevant data retrieval, verification and reporting procedures pursuant to paragraph (e) above will be conducted on a monthly basis.

## **BASIS OF THE NEW REMEDIAL MEASURES**

The Directors are of the view that the above New Remedial Measures which are on top of the existing internal control precures and the Previous Remedial Measures, could strengthen the internal control procedures of the Company and effectively prevent the occurrence of similar events in the future, on the following basis.

The provision of regular trainings would ensure the business development department's compliance awareness so that it would be aware of the compliance implications before entering into any new contracts with any connected parties and the importance of reporting to the finance department and the legal and compliance department in advance, enabling the finance department and the legal and compliance department to conduct pre-assessment prior to any possible continuing connected transactions rather than just post-monitoring the continuing connected transactions. Further, training on the use of the Contract Management System would prevent the reoccurrence of the Data Entry Omission.

Furthermore, upon completion of the full automation of the Contract Management System, the Data Entry Omission could be completely resolved as the abovementioned manual data entry will no longer be required.

In addition, by requiring the finance department of the Company to retrieve and verify the connected transactions data from the Contract Management System on a monthly basis, the reoccurrence of its failure to timely check the accuracy of the data of the Contract Management System during its monthly reporting and the actual transactions amount could be prevented. The Board could also timely monitor the work of the finance department through the monthly reporting procedure.

The requirement of regular meetings among all departments of the Company could ensure the finance department and the legal and compliance department to identify any possible compliance issues brought by the existing and possible transactions of the Company with the connected parties which in turn allow them to timely report to the management of the Company to decide on the matters and/or to timely seek further advice from its auditor, its joint company secretary from its external service provider, and/or its legal advisor and/or to timely consult the Stock Exchange.

Moreover, the financial controller of the Company will be directly responsible for the monitoring and reporting of the transactions amount of the continuing connected transactions amount to the Board and under the close supervision of the financial controller, all the staff within the finance department will make timely report regarding matters on transactions amount and annual cap. Further, as all members of the Group will be required to report to the finance department of the Company directly regarding the transactions amount and any possible contracts, thus enabling the finance department to cross-check such reports with the transaction data contained in the Contract Management System and avoiding over-reliance on the Contract Management System.

## **COMPLETION OF THE NEW REMEDIAL MEASURES**

The New Remedial Measures have been implemented since May 1, 2025. As at the date of this announcement, the Company has completed the New Remedial Measures (i.e. (i) provided the first additional monthly training pursuant to paragraph (a) above; (ii) conducted the regular weekly meetings among all departments of the Company throughout May, 2025 pursuant to paragraph (b) above; (iii) received and reviewed the first monthly reports by all members of the Group mentioned in paragraph (c) above; (iv) completed the full automation of the Contract Management System mentioned in paragraph (d) above; and (v) completed the monthly data retrieval, verification and reporting procedures mentioned in paragraph (e) above).

## **LISTING RULES IMPLICATIONS**

As disclosed in the Annual Cap Announcement, as the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the actual transaction amount under the New Master Property Management and Related Services Agreement is more than 5%, the transactions contemplated under the New Master Property Management and Related Services Agreement are subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board wishes to clarify that, as the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the actual transaction amount with Lushang Freda Associates under the New Master Property Management and Related Services Agreement is more than 0.1% but less than 5%, the transactions with Lushang Freda Associates contemplated under the New Master Property Management and Related Services Agreement are only subject to the reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As a result, the Company has only failed to re-comply with the announcement requirement before the annual cap for transactions with Lushang Freda Associates under the New Master Property Management and Related Services Agreement was exceeded under Chapter 14A of the Listing Rules.

\* *For identification only*

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

Jinan, the PRC, May 30, 2025

*As at the date of this announcement, the Board 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.*