

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Yincheng Life Service CO., Ltd.
銀城生活服務有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1922)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

HIGHLIGHTS

- Revenue for the six months ended 30 June 2020 was approximately RMB416.9 million, representing an increase of approximately 39.1% as compared to approximately RMB299.7 million for the six months ended 30 June 2019.
- Gross profit for the six months ended 30 June 2020 was approximately RMB81.5 million, representing an increase of approximately 56.1% as compared to approximately RMB52.2 million for the six months ended 30 June 2019. Gross profit margin for the six months ended 30 June 2020 was approximately 19.5%, indicating an increase of approximately 2.1 percentage points as compared to the six months ended 30 June 2019.
- Profit for the six months ended 30 June 2020 was approximately RMB29.9 million, indicating (i) an increase of approximately 182.1% as compared to approximately RMB10.6 million for the six months ended 30 June 2019; and (ii) an increase of approximately 78.0% as compared to approximately RMB16.8 million for the six months ended 30 June 2019 before deduction of listing expenses in relation to the listing of the Company on the Stock Exchange on 6 November 2019. Net profit margin for the six months ended 30 June 2020 was approximately 7.2%, indicating an increase of approximately 3.7 percentage points as compared to the six months ended 30 June 2019.
- As at 30 June 2020, the contracted GFA of the Group's property management services was approximately 37.3 million sq.m., representing an increase of approximately 36.1% as compared to approximately 27.4 million sq.m. as at 30 June 2019.
- As at 30 June 2020, the GFA under management of the Group's property management services was approximately 33.7 million sq.m., representing an increase of approximately 65.2% as compared to approximately 20.4 million sq.m. as at 30 June 2019.
- As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB383.3 million.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of Yincheng Life Service CO., Ltd. (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 with comparative figures for the six months ended 30 June 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	3	416,870	299,652
Cost of sales		(335,417)	(247,486)
GROSS PROFIT		81,453	52,166
Other income and gains	3	7,081	927
Selling and distribution expenses		(2,178)	(1,959)
Administrative expenses		(28,408)	(30,969)
Other expenses		(216)	(38)
Net impairment losses on financial assets		(8,124)	(3,311)
Finance costs		(4,372)	(1,590)
Share of losses of an associate		(1,357)	(74)
PROFIT BEFORE TAX		43,879	15,152
Income tax expense	4	(13,958)	(4,576)
PROFIT FOR THE PERIOD		29,921	10,576
Profit attributable to:			
Owners of the parent		29,536	10,481
Non-controlling interests		385	95
		29,921	10,576
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	6	0.11	0.05

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>29,921</u>	<u>10,576</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	<u>1,938</u>	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,938</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>31,859</u>	<u>10,576</u>
Total comprehensive income attributable to:		
Owners of the parent	31,474	10,481
Non-controlling interests	<u>385</u>	<u>95</u>
	<u>31,859</u>	<u>10,576</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June	31 December
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		22,904	18,626
Investment properties		25,142	25,142
Right-of-use assets		2,539	4,337
Goodwill		26,178	–
Intangible assets		27,807	130
Investments in an associate		1,522	2,879
Deferred tax assets		7,080	6,545
		<hr/>	<hr/>
Total non-current assets		113,172	57,659
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		1,385	833
Trade receivables	7	146,281	70,761
Due from related companies		78,735	66,947
Prepayments, deposits and other receivables		59,420	50,692
Cash and cash equivalents		383,335	447,819
		<hr/>	<hr/>
Total current assets		669,156	637,052
		<hr/>	<hr/>

		30 June	31 December
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade payables	8	15,895	10,443
Other payables, deposits received and accruals		159,282	266,078
Contract liabilities		171,569	193,489
Due to related companies		6,717	30,159
Interest-bearing bank and borrowings		220,000	50,000
Lease liabilities		15,302	14,568
Tax payable		6,281	4,141
		<hr/>	<hr/>
Total current liabilities		595,046	568,878
		<hr/>	<hr/>
NET CURRENT ASSETS		74,110	68,174
		<hr/>	<hr/>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		187,282	125,833
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		696	1,367
Deferred tax liabilities		9,663	2,664
Other liabilities		13,900	–
		<hr/>	<hr/>
Total non-current liabilities		24,259	4,031
		<hr/>	<hr/>
NET ASSETS		163,023	121,802
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	9	2,387	2,387
Reserves		141,036	119,853
		<hr/>	<hr/>
Non-controlling interests		19,600	(438)
		<hr/>	<hr/>
TOTAL EQUITY		163,023	121,802
		<hr/>	<hr/>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman KY1-1104, the Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2020, the subsidiaries comprising the Group were involved in the provision of property management services and community value-added services.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, so it should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the property management services and community value-added services for the six months ended 30 June 2020.

An analysis of revenue and other income and gains is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Property management services	336,333	240,621
Community value-added services	80,537	59,031
	416,870	299,652
Represented by:		
Revenue from property management service:		
Recognised over time	336,333	240,621
Revenue from community value-added service:		
Recognised over time	58,893	44,354
Recognised at a point in time	21,644	14,677
	416,870	299,652

The following table shows the amount of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in the previous periods:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Revenue from property management	101,094	59,858
Revenue from community value-added service	6,361	4,222

Other income and gains

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	348	228
Investment income	–	337
Government grants	6,364	244
Gain on disposal of items of property, plant and equipment	12	–
Rental income	289	–
Others	68	118
Total	7,081	927

4. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and the British Virgin Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising from Hong Kong during the period.

The People's Republic of China (the "PRC") corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for the period. Some subsidiaries are qualified as small low-profit enterprises and thus subject to a preferential tax rate of 10% for the period.

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC corporate income tax	14,793	5,635
Deferred tax	(835)	(1,059)
Total tax charge for the period	13,958	4,576

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each reporting period is as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit before tax	43,879	15,152
At the statutory income tax rate	10,970	3,788
Effect of different tax levy enacted by local authorities	(444)	(291)
Expenses not deductible for tax	649	276
Tax losses utilised from previous periods	(7)	–
Deductible temporary differences not recognised	97	10
Tax losses not recognised	2,693	793
	13,958	4,576

5. DIVIDENDS

2019 final dividend amounting to HK\$0.42 (approximately RMB0.38) per ten shares was proposed by the Directors on 31 March 2020, and subsequently approved at the annual general meeting on 29 May 2020. The aggregate amount of the 2019 final dividend declared amounted to approximately RMB10,236,000 and it was recorded in “Other payables, deposits received and accruals” in the interim condensed consolidated statement of financial position and was subsequently distributed in July 2020.

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

The Company’s subsidiaries declared dividends of RMB33,564,000 to the then shareholders in March 2019.

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 267,152,000 (30 June 2019: 200,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

7. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	166,236	82,592
Impairment	(19,955)	(11,831)
	<u>146,281</u>	<u>70,761</u>

Trade receivables mainly arise from property management services. The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a month. In view of those mentioned above and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the date of revenue recognition and net of loss allowance, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	137,006	65,027
Over 1 year and within 2 years	8,284	4,952
Over 2 years and within 3 years	790	562
Over 3 years	201	220
	<u>146,281</u>	<u>70,761</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At the beginning of the period/year	11,831	4,757
Impairment losses recognised	8,124	7,074
At the end of the period/year	<u>19,955</u>	<u>11,831</u>

An impairment analysis was performed at each reporting date, using a provision matrix to measure expected credit losses. The provision rates were based on the ageing of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables were written off if their ageing was more than two years and were not subject to enforcement activity.

8. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	14,810	9,382
Over 1 year	1,085	1,061
	<u>15,895</u>	<u>10,443</u>

The trade payables are interest-free and normally settled on terms of 10 to 15 days.

9. SHARE CAPITAL

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Authorised: 2,000,000,000 (31 December 2019: 2,000,000,000) ordinary shares of HK\$0.01 each	<u>20,000,000</u>	<u>20,000,000</u>
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Issued and fully paid: 267,152,000 (31 December 2019: 267,152,000) ordinary shares at HK\$0.01 each	<u>2,387</u>	<u>2,387</u>

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 (the “**Period Under Review**”), with business development review and outlook.

REVIEW FOR THE FIRST HALF OF THE YEAR

Looking back to the recent years and the first half of 2020, there were unprecedented social concerns and development opportunities for the whole property management industry in China. The impact and influence of the outbreak of the coronavirus disease (“**COVID-19**”), in particular during the first half of the year, which the society has been facing has provided a litmus test to the property management industry. The outbreak highlighted the role and value of the property management industry and caused the industry to be widely valued and recognised. According to a survey prepared by an independent third party, there was a significant increase in the owners’ value and perception of and satisfaction with the property management during the outbreak, thus increases the demand for the property management services provided by companies with brand name which are able to provide high quality and professional services. It has become a market trend for property owners to seek for “good property management companies”. As a reputable property management service provider in China with over 20 years of industry experience, the Group also possesses advantages in its business model and quality service, thus is highly recognised by the owners and the market, and further strengthened its position as a regional leading enterprise in the industry.

During the six months ended 30 June 2020, the Group recorded revenue of approximately RMB416.9 million, representing a significant increase of approximately 39.1% as compared to approximately RMB299.7 million during the same period in 2019. Profit for the six months ended 30 June 2020 was approximately RMB29.9 million, representing an increase of approximately 182.1% as compared to approximately RMB10.6 million during the same period in 2019, and representing an increase of approximately 78.0% from approximately RMB16.8 million during the same period in 2019 before deduction of listing expenses in relation to the listing of the Company on the Stock Exchange on 6 November 2019. The increase in revenue and profit was mainly due to an increase in revenue generated from the provision of property management services resulting from a rise in the GFA under management during the year, an increase in the revenue generated from the provision of community value-added services and the profit contributed by Nanjing Huiren HengAn Property Management Co., Ltd.* (南京匯仁恒安物業管理有限公司) (“**Huiren HengAn**”) after completion of the Group’s acquisition of 51% equity interest in it. Gross profit margin and net profit margin were approximately 19.5% and 7.2% for the six months ended 2020, respectively.

The Group is a leading regional property management enterprise headquartered in Nanjing and deeply engaged in the Yangtze River Delta Megalopolis. It has expanded its business operations to the Jiangsu Province and several core cities in the Yangtze River Delta Megalopolis. During the Period Under Review, the Group successfully penetrated into Suqian City and Yancheng City in the Jiangsu Province. As at 30 June 2020, the property management services provided by the Group covered 16 cities, and included 307 managed properties, representing an increase of approximately 50.5% as compared to the corresponding period last year. The 307 managed properties includes 142 residential properties and 165 non-residential properties, serving more than 190,000 households and cover more than one million customers. The Group which provides high quality services has had its original customers to renew the contacts with it, where the renewal rate during the six months ended 30 June 2020 was approximately 92.9%. In addition, the Group actively acquired new customers. As at 30 June 2020, the Group's contracted GFA was approximately 37.3 million sq.m., representing an increase of approximately 36.1% as compared to the corresponding period last year. The Group's GFA under management reached approximately 33.7 million sq.m., exceeding 30 million sq.m. for the first time and representing a significant increase of 65.2% as compared to such GFA under management as at 30 June 2019.

Residential and non-residential GFA under management amounted to approximately 77.4% and 22.6% of the Group's total GFA under management, respectively. Non-residential GFA under management increased by approximately 89.9% to approximately 7.6 million sq.m. as compared to such GFA under management as at 30 June 2019. At present, the non-residential property management business of the Group covers a wide range of ten product lines (including government facilities, financial institutions, property sales offices, hospitals, parks, highway service areas, industrial parks, mixed-use properties, schools and office buildings), revealing the strategy of the Group in the expansion of its non-residential property projects has been effectively implemented and started to bear fruit. In particular, the Group entered into the field of hospital property management by completing the acquisition of Huiren HengAn in March this year. This not only enriches the Group's non-residential business portfolio and enhances its professional service capability, but also demonstrates its merger, acquisition and integration capability, which provides experience for the Group's further expansion in the non-residential sector in the future. Meanwhile, the gross profit margin of non-residential products is higher than that of residential products, which will be conducive to further increase the overall gross profit margin of the Company in the future. During the Period Under Review, Huiren HengAn contributed a revenue of approximately RMB35.1 million and a net profit of approximately RMB3.0 million to the Group. During the Period Under Review, average gross profit margin of non-residential properties of the Group is approximately 20.0%.

As a property management company with distinctive market-oriented characteristics, the Group has always insisted on striving for more market share while securing stable project sources from the "Yincheng series". As at 30 June 2020, the proportion of the Group's GFA under management from third party property developers reached approximately 81.8%, exceeding 80% for the first time, representing an increase of approximately 68.9% as compared to such GFA under management as at 30 June 2019. This represents the recognition of the Group's brand name and operational capability in the market, and will further strengthen its position and encourage the Group to continuously enhance its exogenous expansion capability, so as to maintain a long-term and stable development. The Group obtained its new contracts from three channels including direct appointment by customers,

acquisition of property management companies and winning public tenders. During the Period Under Review, the Group had a net increase of 68 new projects, in which 25 projects were directly appointed and 18 projects came from the acquisition of HuiRen HengAn. The outbreak of COVID-19 delayed the tender arrangement during the first quarter of 2020 but there was a gradual recovery since April 2020. During the six months ended 30 June 2020, after careful review and analysis, the Group participated in the tender for 56 new projects, especially for non-residential projects with high competition, and was awarded with a total of 25 project contracts. By securing the landmark building projects including Nanjing Olympic Centre is conducive to enhancing the Group's popularity and brand image, thus could acquire more potential customers in the future.

Regarding the provision of community value-added services, the Group quickly launched a number of new services in response to the needs of property owners and for their convenience during the outbreak, such as group buying of daily essentials, haircut with appointments, tire inflation, photocopying of study materials and other services. These services are highly praised by the owners, which enables a closer contact between the Group and the owners, thus further enhancing their adherence and loyalty. During the six months ended 30 June 2020, the Group's revenue generated from community value-added services was approximately RMB80.5 million, representing an increase of approximately 36.4% as compared to the corresponding period last year. As at 30 June 2020, the Group's comprehensive property management fee collection rate increased by more than 3 percentage points to 68.1% as compared to such property management fee collection rate as at 30 June 2019.

With the rapid expansion of the Group's business scale, it has addressed the urgent need of talents by a combination of internal training and external recruitment. Through a clear and transparent promotion and incentive mechanism and comprehensive training, the Group not only attracts and retains talented people, but also maintains the stability of service quality. As at 30 June 2020, the Group had 431 life consultants to effectively respond to the needs of the owners through grid management.

The Group is highly recognised in the industry with its significantly increased management scale, industry-leading service quality, good reputation and business development. The Group ranked 24th among the top 100 property service enterprises in China in 2020, and was recognised as a leading enterprise in market-oriented operation in the property service industry of China in 2020, an outstanding listed property service enterprise worthy of investment in China in 2020 etc.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

In recent years, the property management industry is in the golden period of rapid growth and development, with its prospects being highly recognised. According to the industry data provided by an independent third party, it is expected that the market size of China's property management industry will exceed RMB1.5 trillion by 2022. Meanwhile, the property management industry continuously draws greater attention in the capital market. As at June 2020, there were a total of approximately 30 property management enterprises listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Based on the high certainty and predictability of performance growth, the property management sector was the top gainer among all sectors of Hong Kong stocks in the first half of the year.

The outbreak of COVID-19 has brought great challenges to the property management industry but has also highlighted the value and contribution of the industry. Since the beginning of the year, local governments have successively published a number of policies to support or subsidise property management enterprises, including the Notice on Preliminary Public Property Service Grades and Rate Standards for Ordinary Residential Buildings in Nanjing (Draft for Comment) (南京市普通住宅前期物業公共服務等級和收費標準的通知(徵求意見稿)) (the “**Notice**”) published by the Nanjing Municipal Commission of Development & Reform on 16 July 2020, which suggests that the maximum guided rate for property management fees for newly-built ordinary residential buildings should be increased by 36.8% from RMB1.9 per sq.m. to RMB2.6 per sq.m. This is the first upward adjustment to the rate standard for property management fees in Nanjing in 14 years, which is conducive in promoting the steady development of the property management industry in Nanjing as a whole. The Group is of the view that, in the long run, the increase in the property management fees for preliminary stage projects will drive up the floor prices of second-hand property management projects in the future, which will help the Group to secure second-hand property management projects at a better price in the future, thus driving the growth of revenue and profit. Fees for some service items such as the fee for decoration waste cleanup and transportation have been changed from the original government-guided prices to the market-adjusted prices. This shows the gradual evolvement of the industry from government guidance to market orientation, which is beneficial for property management enterprises to obtain market-oriented returns in exchange for high-quality services. As a property management enterprise which has achieved high marketisation early, the Group is glad to see the change in the industry to market orientation and strengthens its market-oriented development strategy.

Although there are dozens of listed Chinese property management enterprises, there are in fact more than ten thousand companies in the industry. High-quality property management enterprises will usher in a window of rapid growth. Customers and industries will be increasingly fair, while competent companies will have the opportunity to distinguish themselves. Therefore, the Group will continue to pay effort to gain a toehold in the Yangtze River Delta Megalopolis and firmly follow the road of market orientation. Looking forward, the Group will continue to expand its business scale and the scope of community value-added services, maintain a good reputation and customer satisfaction, with a focus on market expansion and through mergers and acquisitions aiming to achieve steady progress. Meanwhile, the Group will improve its profitability with a focus on methods including talent motivation and strict cost control, so as to deliver greater returns to the shareholders of the Company.

Yincheng Life Service CO., Ltd.
XIE Chenguang
Chairman

Nanjing, China
20 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is an established property management service provider in the PRC with over 20 years of industry experience that engages in the provision of diversified property management services and community value-added services. As at 30 June 2020, the Group's property management services covered 16 PRC cities, including 11 cities in the Jiangsu Province and five cities in other provinces in the Yangtze River Delta Megalopolis, with the gross floor area ("GFA") under management reaching approximately 33.7 million sq.m. The Group managed 307 properties, including 142 residential properties and 165 non-residential properties, serving over 190,000 households as at 30 June 2020.

The Group's business covers a wide spectrum of properties, including residential properties and non-residential properties covering government facilities, financial institutions, property sales offices, hospitals, parks, highway service area, industrial parks, mixed-use properties, schools and office buildings. The Group operates its business along two main business lines, namely the provision of (i) property management services; and (ii) community value-added services. Leveraging on the Group's business scale, operational efficiency, excellent service quality, development potential and social responsibility, the Group obtained various awards in 2020 including being ranked 24th in China Top 100 Property Management Companies* (中國物業服務百強企業).

The Group adheres to its business motto of "Surpassing Customers' Expectations and Creating Value with Quality Services" and service concept of "Living+", and has adopted the business model of "Service alignment, Business modularisation, Modules specialisation and Management digitalisation" to serve and create value for its customers with quality property management services.

Property Management Services

The Group provides a wide range of property management services to its customers that comprises security services, cleaning services, car park management, repair and maintenance of specialised elevators, escalators and mechanical car park equipment, gardening and landscaping services, daily repair and maintenance of equipment and machinery and ancillary customer services. The Group's portfolio of managed properties includes both residential properties and non-residential properties.

The contracted GFA and GFA under management

As at 30 June 2020, the Group's contracted GFA was approximately 37.3 million sq.m., representing an increase of approximately 36.1% as compared to its contracted GFA at approximately 27.4 million sq.m. as at 30 June 2019. The increase was mainly attributable to an increase in the number of projects undertaken by the Group from its new customers and existing customers leveraging on the Group's solid reputation, customers' recognition and market strength.

As at 30 June 2020, the Group's GFA under management was approximately 33.7 million sq.m., representing an increase of approximately 65.2% as compared to its GFA under management at approximately 20.4 million sq.m. as at 30 June 2019. The increase was mainly attributable to the Group's solid and high quality services and market reputation which enables the Group to have a competitive advantage in the industry, leading to it being able to secure the engagement as the property management service provider for both residential property projects during its preliminary stage and completed residential properties and non-residential properties by replacing the then existing property management service providers.

The Group had 307 managed properties as at 30 June 2020, representing an increase of 103 managed properties as compared to its 204 managed properties as at 30 June 2019.

The table below sets out the Group's (i) contracted GFA; (ii) GFA under management; and (iii) number of managed properties, as at the dates indicated:

	As at 30 June	
	2020	2019
Contracted GFA ^(Note) ('000 sq.m.)	37,312	27,392
GFA under management ^(Note) ('000 sq.m.)	33,720	20,416
Number of managed properties	307	204

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

Geographical Coverage

The Group has grown from a local property management service provider in Nanjing to one of the leading property management service providers in both Nanjing and the Jiangsu Province. As at 30 June 2020, our property management services covered 16 PRC cities, including 11 cities in the Jiangsu Province and five cities in other provinces in the Yangtze River Delta Megalopolis.

The table below sets out the breakdown of (i) the Group's GFA under management; and (ii) the number of the Group's managed properties by geographic region as at the dates indicated:

	As at 30 June			
	2020		2019	
	GFA under management ^(Note) ('000 sq.m.)	Number of managed properties	GFA under management ^(Note) ('000 sq.m.)	Number of managed properties
Nanjing	23,280	239	15,403	171
Yangtze River Delta Metropolis (excluding Nanjing)	10,440	68	5,013	33
Total	33,720	307	20,416	204

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

The table below sets out the breakdown of the Group's property management services revenue by geographic region for the periods indicated:

	Six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Nanjing	276,006	82.1	206,361	85.8
Yangtze River Delta Metropolis (excluding Nanjing)	60,327	17.9	34,260	14.2
Total	336,333	100.0	240,621	100.0

Types of Property Management Services

The Group provides property management services in respect of both residential and non-residential properties. The non-residential properties comprises ten types of properties, namely government facilities, financial institutions, property sales offices, hospitals, parks, highway service area, industrial parks, mixed-use properties, schools and office buildings.

While the provision of property management services in respect of residential properties is still the foundation of the Group's revenue generation and scale expansion, the Group is seeking to improve its brand awareness in the non-residential sector by diversifying its service provided to include other types of non-residential properties, optimising its project portfolio and adjusting its business structure.

The table below sets out the breakdown of the Group's revenue from property management services by property types for the periods indicated:

	Six months ended 30 June					
	2020			2019		
	<i>RMB'000</i>	%	GFA under management <i>'000 sq.m.</i>	<i>RMB'000</i>	%	GFA under management <i>'000 sq.m.</i>
Residential properties	181,528	54.0	26,090	151,036	62.8	16,398
Non-residential properties	154,805	46.0	7,630	89,585	37.2	4,018
Total	336,333	100.0	33,720	240,621	100.0	20,416

Revenue model

For the six months ended 30 June 2020, substantially all of the Group's property management fees were charged on a lump sum basis with the remainder charged on a commission basis. The Group's property management revenue generated from property management services charged on a lump sum basis accounted for approximately 99.9% and 99.9% of the Group's revenue from property management services for the six months ended 30 June 2019 and 2020, respectively. The Group's property management revenue generated from property management services charged on a commission basis accounted for approximately 0.1% and 0.1% of the Group's revenue from property management services for the same periods, respectively.

The table below sets out a breakdown of the Group's revenue from property management services by revenue model for the periods indicated and the total GFA under management as at the dates indicated:

	Six months ended 30 June					
	2020			2019		
	Revenue		GFA ^(Note)	Revenue		GFA ^(Note)
	RMB'000	%	'000 sq.m.	RMB'000	%	'000 sq.m.
Lump sum basis	336,239	99.9	33,581	240,527	99.9	20,393
Commission basis	94	0.1	139	94	0.1	23
Total	336,333	100.0	33,720	240,621	100.0	20,416

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

Project Sources

The Group has been providing property management services to Yincheng International Holding Co., Ltd. and its subsidiaries (the “**Yincheng International Holding Group**”), which is engaged in, among others, the business of property development in developing quality residential properties in the Yangtze River Delta Megalopolis for customers of all ages, as well as to Yincheng Real Estate Group Co., Ltd.* (銀城地產集團股份有限公司) and its subsidiaries (the “**Yincheng Real Estate Group**”). Over the years of the Group's operation, the Group has built up a business model operating independently from the property development of Yincheng International Holding Group and/or Yincheng Real Estate Group, as evidenced by its success in actively securing new engagement opportunities with independent third party property developers.

The table below sets out the breakdown of (i) the Group's GFA under management; and (ii) the number of the Group's managed properties by the type of property developers as at the dates indicated:

	As at 30 June			
	2020		2019	
	GFA ^(Note 1)	Number	GFA ^(Note 1)	Number
	('000 sq.m.)		('000 sq.m.)	
Properties developed by Yincheng International Holding Group/ Yincheng Real Estate Group				
– Preliminary stage ^(Note 2)	3,495	21	2,627	13
– Property owners' association	2,660	21	1,465	25
Sub-total	6,155	42	4,092	38
Properties developed by independent third party property developers				
– Preliminary stage ^(Note 2)	4,862	23	2,303	12
– Property owners' association	22,703	242	14,021	154
Sub-total	27,565	265	16,324	166
Total	33,720	307	20,416	204

Notes:

1. The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.
2. After being successful in the relevant public tenders and having entered into the relevant preliminary property management agreements with the property developers, it takes time for the newly developed properties to be delivered to the property owners. These newly developed properties will only be under the Group's management once they have been delivered to the property owners.

The table below sets out the breakdown of the Group's property management service revenue by the type of property developers for the periods indicated:

	Six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
Properties developed by Yincheng International Holding Group/ Yincheng Real Estate Group				
– Preliminary stage ^(Note)	23,309	6.9	30,348	12.6
– Property owners' association	40,738	12.1	27,441	11.4
Sub-total	64,047	19.0	57,789	24.0
Properties developed by independent third party property developers				
– Preliminary stage ^(Note)	17,718	5.3	8,048	3.4
– Property owners' association	254,568	75.7	174,784	72.6
Sub-total	272,286	81.0	182,832	76.0
Total	336,333	100.0	240,621	100.0

Note: Preliminary stage revenue refers to property management fees collected under the Group's preliminary property management agreements.

Property Management Service Fees

For the six months ended 30 June 2020, the Group obtained its residential property projects during preliminary stage through public tenders or direct engagement, whereas it obtained its engagements for completed residential properties to replace the then existing property management companies through public tenders, acquisition of property management companies or direct engagement.

Among the projects managed by the Group, the average property management fees of the residential properties was approximately RMB1.29 per sq.m. per month for the six months ended 30 June 2020 (2019 corresponding period: RMB1.71 per sq.m.) The decrease was mainly due to the relatively lower property management fees calculated with reference to the large scale of GFA which were charged under several new residential property management projects undertaken during the year.

In respect of the non-residential properties, the Group's average property management fees for the six months ended 30 June 2020 was approximately RMB4.07 per sq.m. per month (2019 corresponding period: RMB4.68 per sq.m. per month). The decrease was mainly due to the relatively lower property management fees calculated with reference to the GFA which were charged under several new large scale non-residential property management projects undertaken during the year.

Community Value-Added Services

The Group provides community value-added services to property owners and residents of its managed residential properties with an aim to enhance the level of convenience at its managed communities and customer experience, satisfaction and royalty.

The Group's community value-added services mainly include (i) common area value-added services; (ii) fitness services; and (iii) community convenience services. These services are provided through the Group's daily contact and interaction with its customers during the process of providing property management services, as well as through its "Living+" social media account. As at 30 June 2020, the Group's community value-added services covered 142 residential properties and nine mixed-use non-residential properties.

For the six months ended 30 June 2020, the Group's revenue generated from the provision of community value-added services amounted to approximately RMB80.5 million, representing an increase of approximately 36.4% as compared to that of RMB59.0 million for the six months ended 30 June 2019. Such increase was mainly attributable to an increase in the number of projects undertaken by the Group and the diversification of the scope of services provided by the Group following its continuous business development.

The table below sets out the breakdown of the Group's revenue, gross profit and gross profit margin of community value-added services for the periods indicated:

	Six months ended 30 June					
	2020			2019		
	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit
<i>RMB'000</i>	<i>RMB'000</i>	margin	<i>RMB'000</i>	<i>RMB'000</i>	margin	
		%			%	
Community value-added services						
(i) Common area value-added services	61,093	28,610	46.8	40,506	21,505	53.1
(ii) Fitness services	7,311	617	8.4	11,275	1,077	9.6
(iii) Community convenience services	12,133	2,762	22.8	7,250	1,784	24.6
Total	80,537	31,989	39.7	59,031	24,366	41.3

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 39.1% from approximately RMB299.7 million for the six months ended 30 June 2019 to approximately RMB416.9 million for the six months ended 30 June 2020 as a result of (i) an increase in the number of residential and non-residential projects undertaken by the Group which led to an increase in the income from property management services; (ii) the diversification of the scope of community value-added services provided by the Group following its continuous business development; and (iii) the income generated from Hui ren Heng An after completion of the Group's acquisition of 51% equity interest in it.

The table below sets out the breakdown of the Group's revenue by business line for the periods indicated:

	Six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	336,333	80.7	240,621	80.3
Community value-added services	80,537	19.3	59,031	19.7
Total	416,870	100.0	299,652	100.0

Revenue from the provision of property management services increased by approximately 39.8% from approximately RMB240.6 million for the six months ended 30 June 2019 to approximately RMB336.3 million for the six months ended 30 June 2020. Such increase was primarily due to the continuous increase in (i) the Group's GFA under management of residential properties projects; and (ii) the number of the Group's non-residential properties projects.

Revenue from the provision of community value-added services increased by approximately 36.4% from approximately RMB59.0 million for the six months ended 30 June 2019 to approximately RMB80.5 million for the six months ended 30 June 2020. Such increase was primarily due to an increase in (i) the Group's GFA under management; and (ii) the diversification of the scope of services provided by the Group.

Cost of Sales

The Group's cost of sales consists of labour costs, subcontracting costs, equipment operation and facility maintenance costs, material costs, depreciation of right-of-use assets, office expenses and others.

The Group's cost of sales increased by approximately 35.5% from approximately RMB247.5 million for the six months ended 30 June 2019 to approximately RMB335.4 million for the six months ended 30 June 2020, primarily due to an increase in (i) the number of staff and subcontracting costs as a result of the expansion of the Group's business; and (ii) the costs in purchasing epidemic prevention materials for the Group due to the outbreak of COVID-19.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 56.1% from approximately RMB52.2 million for the six months ended 30 June 2019 to approximately RMB81.5 million for the six months ended 30 June 2020. The gross profit margin increased from approximately 17.4% for the six months ended 30 June 2019 to approximately 19.5% for the six months ended 30 June 2020. Such increase was primarily due to (i) an increase in the income from property management services as a result of an increase in the Group's GFA under management; (ii) a decrease in the investments in the projects undertaken by the Group from independent third parties as these projects had gradually entered into the maturity period; and (iii) a decrease in the Group's expenses arising from the government's policies due to COVID-19.

Other Income and Gains

The Group's other income and gains mainly represents interest income, investment income, government grants, gain on disposal of items of property, plant and equipment, rental income and others.

The Group's other income and gains increased by approximately 688.9% from approximately RMB0.9 million for the six months ended 30 June 2019 to approximately RMB7.1 million for the six months ended 30 June 2020, primarily due to an increase in the government grants during the period.

Selling and Distribution Expenses

The Group's selling and distribution expenses consist primarily of staff costs, advertising and promotional expenses, office expenses, business development expenses, travelling expenses and others.

The Group's selling and distribution expenses increased by approximately 10.0% from approximately RMB2.0 million for the six months ended 30 June 2019 to approximately RMB2.2 million for the six months ended 30 June 2020, primarily due to a continuous increase in the Group's business expansion.

Administrative Expenses

The Group's administrative expenses primarily include staff costs, professional fees, office expenses, business development expenses, rental expenses, travelling expenses, depreciation and amortisation, bank charges, taxes and others.

The Group's administrative expenses decreased by approximately 8.4% from approximately RMB31.0 million for the six months ended 30 June 2019 to approximately RMB28.4 million for the six months ended 30 June 2020, primarily due to there being no listing expenses incurred during the period.

Net Impairment Losses on Financial Assets

The Group's net impairment losses on financial assets increased by approximately 145.5% from approximately RMB3.3 million for the six months ended 30 June 2019 to approximately RMB8.1 million for the six months ended 30 June 2020, primarily due to an increase in the impairment losses on the provision of trade receivables.

Finance Costs

The Group's finance costs mainly include interest on bank borrowings and interest on lease liabilities in relation to lease liabilities recorded for properties leased by the Group for operation of its offices and fitness centres.

The Group's finance costs increased by approximately 175.0% from approximately RMB1.6 million for the six months ended 30 June 2019 to approximately RMB4.4 million for the six months ended 30 June 2020, primarily due to an increase in short-term borrowings.

Income Tax Expense

The Group's income tax refers to PRC corporate income tax at a tax rate of 25% on taxable profits of its subsidiaries incorporated in the PRC. Some subsidiaries of the Group are qualified as small low-profit enterprises and thus are subject to a preferential tax rate of 10% for the six months ended 30 June 2020.

The Group's income tax expense increased by approximately 204.3% from approximately RMB4.6 million for the six months ended 30 June 2019 to approximately RMB14.0 million for the six months ended 30 June 2020, primarily due to an increase in the profit before tax during the period.

Profit for the Period

As a result of the foregoing, the Group's profit increased by approximately 182.1% from approximately RMB10.6 million for the six months ended 30 June 2019 to approximately RMB29.9 million for the six months ended 30 June 2020. Profits attributable to owners of the Company for the six months ended 30 June 2020 amounted to approximately RMB29.5 million, representing an increase of approximately 181.0% as compared to the corresponding period in 2019. The net profit margin was approximately 7.2% for the six months ended 30 June 2020, up 3.7 percentage points from approximately 3.5% in the corresponding period in 2019. The increase in net profit margin was mainly due to (i) the expansion and development of the Group's business; (ii) there being no listing expenses incurred during the period; (iii) the improvement in the operating conditions of the projects on hand; and (iv) a decrease in the Group's expenses arising from the government's policies due to COVID-19.

Liquidity, Reserves and Capital Structure

The Group maintained a healthy financial position during the six months ended 30 June 2020. The Group's current assets amounted to approximately RMB669.2 million as at 30 June 2020, representing an increase of approximately 5.0% as compared to approximately RMB637.1 million as at 31 December 2019. The Group's cash and cash equivalents amounted to approximately RMB383.3 million as at 30 June 2020, representing a decrease of approximately 14.4% as compared to RMB447.8 million as at 31 December 2019, primarily due to the net cash used in operating activities which was amounted to approximately RMB62.9 million. The Group's total equity amounted to approximately RMB163.0 million as at 30 June 2020, representing an increase of approximately 33.8% as compared to approximately RMB121.8 million as at 31 December 2019. Such increase was mainly due to an increase in the profit of approximately RMB29.9 million during the period.

Property, Plant and Equipment

The Group's property, plant and equipment amounted to approximately RMB22.9 million as at 30 June 2020, representing an increase of approximately 23.1% as compared to that of approximately RMB18.6 million as at 31 December 2019. This was primarily due to an increase in the number of properties held as a result of the acquisition of HuiRen HengAn during the period.

Trade Receivables

The Group's trade receivables primarily consist of receivables for its property management services and community value-added services from its customers.

The Group's trade receivables amounted to approximately RMB146.3 million as at 30 June 2020, representing an increase of approximately 106.6% as compared to approximately RMB70.8 million as at 31 December 2019. Such increase in trade receivables was due to the increase of the Group's revenue during the period.

Prepayments, Deposits and Other Receivables

The Group's prepayments, deposits and other receivables amounted to approximately RMB59.4 million as at 30 June 2020, representing an increase of approximately 17.2% as compared to approximately RMB50.7 million as at 30 June 2019. This was mainly due to an increase in prepaid utility expenses and project deposits as a result of there being an increase in the number of property management projects undertaken by the Group.

Trade Payables

The Group's trade payables primarily consist of payables to suppliers and subcontractors. The Group's trade payables amounted to approximately RMB15.9 million as at 30 June 2020, representing an increase of approximately 52.9% as compared to approximately RMB10.4 million as at 31 December 2019. This was mainly due to an increase in the property management projects undertaken by the Group.

Other Payables, Deposits Received and Accruals

The Group's other payables, deposits received and accruals amounted to approximately RMB159.3 million as at 30 June 2020, representing a decrease of approximately 40.1% as compared to that of approximately RMB266.1 million as at 31 December 2019. This was mainly due to the repayment of a payable due to a third party amounting to RMB115 million.

Contract Liabilities

The Group receives payments from its customers based on billing schedules as provided in the property management agreements. A portion of the payments are usually received in advance of the performance under the contracts which are mainly from property management services.

The Group's contract liabilities amounted to approximately RMB171.6 million as at 30 June 2020, representing a decrease of approximately 11.3% as compared to that of approximately RMB193.5 million as at 31 December 2019. This was mainly due to the Group's usual practice of carrying over of the income from the contract liabilities as projects went on.

Borrowings

As at 30 June 2020, the Group had interest-bearing bank borrowings of RMB220.0 million.

Gearing Ratio

The Group's gearing ratio is calculated based on net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank borrowings, amounts due to related companies and lease liabilities, less cash and cash equivalents. The Group's capital represents equity attributable to owners of the Company. As at 30 June 2020, the Group's gearing ratio was not applicable.

Use of Proceeds from the Listing

The Company was successfully listed on the Main Board of the Stock Exchange on 6 November 2019 (the "**Listing Date**") with the issue of 66,680,000 new shares. The total net proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange (including the exercise of the Over-allotment Option (as defined in the prospectus of the Company dated 25 October 2019 (the "**Prospectus**"))) amounted to approximately HK\$131.4 million after deducting the underwriting fees and commissions and other expenses in connection with the Global Offering (as defined in the Prospectus), which will be used for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Set out below is the actual utilisation of the net proceeds from the Listing Date up to 30 June 2020:

	Planned use of proceeds in total <i>HK\$'000</i>	Actual use of proceeds from the Listing Date up to 30 June 2020 <i>HK\$'000</i>	Remaining balance of net proceeds <i>HK\$'000</i>
Continue to expand the Group's business by mergers and acquisitions or investments in order to expand its market shares in the property management service industry in the PRC	78,853	20,000	58,853
Invest in intelligent systems to improve the Group's service quality and enhance its customers' experience	19,713	3,081	16,632
Upgrade the Group's internal information technology system to enhance operational efficiency	13,142	301	12,841
Continue to recruit more technical and managerial talents and, at the same time, provide training to the Group's employees for the expansion of its operations	6,571	266	6,305
General working capital	13,142	3,979	9,163

The Group will continue to utilise the remaining net proceeds in the next three years in the manner consistent with the proposed allocations as stated in the Prospectus.

Pledge of Assets

The Group had no pledge of assets as at 30 June 2020.

Contingent Liabilities

The Group had no material contingent liabilities or guarantees as at 30 June 2020.

Exchange Rate Risk

As all of the Group's businesses are conducted in the PRC, revenue and profits for the six months ended 30 June 2020 were denominated in RMB. The major foreign currency source for the Group is the fundraising following the successful listing on the Stock Exchange during the period, all of which were in Hong Kong dollars. The Group is of the view that there is no significant foreign exchange risk.

Employees and Remuneration Policies

As at 30 June 2020, the Group had a total of 3,466 employees. The Group offers employees competitive remuneration packages that include fees, salaries, allowances and benefits in kind, bonuses and pension scheme contribution and social welfare. The Group contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

Material Acquisition and Disposal

Save as disclosed in the annual report of the Company for the year ended 31 December 2019, during the six months ended 30 June 2020 and up to the date of this announcement, the Group did not perform any material acquisition or disposal of subsidiaries and associates.

Subsequent Events

On 2 July 2020, the Company and Nanjing Yuangu Ecological Agriculture Co., Ltd.* (南京原穀生態農業有限公司) (“**Yuangu Ecological Agriculture**”) entered into a master supply agreement, pursuant to which Yuangu Ecological Agriculture has agreed to supply and deliver food products, including vegetables, fruits, cereals, meat, seasoning and dried food such as dried meat, dried fruits, dried peas, dried herbals and dried seasonings etc. to the Group from 2 July 2020 to 31 December 2022. For further details, please refer to the Company’s announcement dated 2 July 2020.

On 16 July 2020, the Company was informed by Mr. Huang Qingping (“**Mr. Huang**”), a non-executive Director and the controlling shareholder of the Company, that he procured Silver Wutong Holding Limited (a company directly wholly-owned by Mr. Huang) to transfer an aggregate of 9,350,320 shares of the Company (the “**Share(s)**”), representing approximately 3.5% of the entire issued share capital of the Company, off-market to the controlled corporations of Mr. Li Chunling (an executive Director), Ms. Huang Xuemei (an executive Director), Ms. Yin Xiaoli (a senior management member of the Company) and Ms. Fan Xingxia (a senior management member of the Company) pursuant to the respective share transfer agreements at a discount of approximately 20% to the average closing price of the Shares for the five business days immediately preceding 16 July 2020 at HK\$6.3 per Share. For further details, please refer to the Company’s announcement dated 16 July 2020.

Save for the events as mentioned above, the Directors are not aware of any material events undertaken by the Group subsequent to 30 June 2020.

OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any securities of the Company for the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Group is committed to maintaining high corporate governance standards, which are essential in providing a framework for the Group to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company will continue to practise the principles of good corporate governance as set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

During the six months ended 30 June 2020, the Company has complied with all applicable code provisions as set out in the CG Code, and will continue to review and enhance its corporate governance practices, and identify and formalise measures and policies to ensure compliance with the CG Code.

Review of interim results

The audit committee of the Company (the “**Audit Committee**”) currently comprises two independent non-executive Directors, namely Mr. Chow Siu Hang and Mr. Mao Ning, and a non-executive Director, namely Mr. Xie Chenguang, with Mr. Chow Siu Hang as the chairman of the Audit Committee. The Audit Committee has reviewed the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2020, which have been approved by the Board on 20 August 2020 prior to its issuance. The Audit Committee is of the view that the unaudited interim condensed consolidated financial information are in compliance with the applicable accounting standards, the Listing Rules and other legal requirements, and that sufficient disclosure has been made.

The Company’s independent auditor, Ernst & Young, has also conducted a review of the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules and the code for dealing in securities of the Company by the Directors as adopted by the Company (the “**Securities Dealing Code**”) as its own codes of conduct governing the Directors. All Directors confirmed, after having made specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code and the Securities Dealing Code for the six months ended 30 June 2020.

No incident of non-compliance was found by the Company for the six months ended 30 June 2020. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.yinchenglife.hk). The interim report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Yincheng Life Service CO., Ltd.
XIE Chenguang
Chairman

Nanjing, China
20 August 2020

As at the date of this announcement, the executive Directors are Mr. Li Chunling and Ms. Huang Xuemei; the non-executive Directors are Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li; and the independent non-executive Directors are Mr. Chow Siu Hang, Mr. Li Yougen and Mr. Mao Ning.

* *for identification purposes only*