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

If you have sold or transferred all your shares in Yincheng Life Service CO., Ltd., you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CONTINUING CONNECTED TRANSACTION RELATING TO THE 2022 SECOND MASTER PROPERTY MANAGEMENT AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee with its recommendations to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 16 to 35 of this circular.

A notice convening the EGM to be held at 9:00 a.m. on Friday, 31 December 2021 at 21/F, Block A Yincheng Plaza, 289 Jiangdong Avenue North, Gulou District, Nanjing, Jiangsu Province, China is set out on pages 42 to 43 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of 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 should you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“2019 Second Master Property Management Agreement”	the framework agreement dated 21 October 2019 entered into between the Company (for itself and on behalf of its subsidiaries) and Yincheng International (for itself and on behalf of its subsidiaries) in relation to the provision of property management services by the Group to the Yincheng International Group for a term commencing from the Listing Date to 31 December 2021 (both days inclusive)
“2022 Second Master Property Management Agreement”	the framework agreement dated 11 November 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and Yincheng International (for itself and on behalf of its subsidiaries) in relation to the provision of property services by the Group to the Yincheng International Group for a term of three years from 1 January 2022 to 31 December 2024 (both days inclusive)
“Articles”	the articles of association of the Company (as amended from time to time)
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company” or “Yincheng Life Service”	Yincheng Life Service CO., Ltd. (銀城生活服務有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be held by the Company for the purpose of considering, and if thought fit, approving the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Chow Siu Hang, Mr. Li Yougen and Mr. Mao Ning
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholder(s) other than Mr. Huang, Mr. Xie, Mr. Ma, Mr. Zhu and Mr. Dai Chengshu and their associates
“Independent Third Party(ies)”	a third party(ies) independent of the Company and its connected persons
“Latest Practicable Date”	6 December 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Date”	6 November 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Mr. Huang”	Mr. Huang Qingping (黃清平), a non-executive Director and a controlling shareholder of the Company
“Mr. Ma”	Mr. Ma Baohua (馬保華), a non-executive Director
“Mr. Xie”	Mr. Xie Chenguang (謝晨光), the chairman and a non-executive Director
“Mr. Zhu”	Mr. Zhu Li (朱力), a non-executive Director

DEFINITIONS

“percentage ratios”	has the meaning ascribed to under in the Listing Rules
“Proposed Annual Cap”	the maximum aggregate annual value projected for the three years ending 31 December 2024 in respect of the services provided and the fees due pursuant to the 2022 Second Master Property Management Agreement
“Prospectus”	the prospectus of the Company dated 25 October 2019
“PRC”	the People’s Republic of China, which for the sole purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company, which are traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yincheng International”	Yincheng International Holding Co., Ltd. (銀城國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares in which are listed on the Main Board of the Stock Exchange (stock code: 1902)
“Yincheng International Group”	Yincheng International and its subsidiaries
“Yincheng Property Services”	Nanjing Yincheng Property Services Co., Ltd.* (南京銀城物業服務有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Yincheng Real Estate”	Yincheng Real Estate Group Co., Ltd.* (銀城地產集團股份有限公司), a joint stock company established under the laws of the PRC with limited liability

DEFINITIONS

“Yuangu Ecological Agriculture” Nanjing Yuangu Ecological Agriculture Co., Ltd.* (南京原穀生態農業有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Yincheng Real Estate

“%” per cent.

* *For identification purposes only*

In this circular, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules.

In this circular, the English names of the PRC entities or enterprises are translations of their Chinese names. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD



銀城生活服務有限公司

YINCHENG LIFE SERVICE CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1922)

Executive Directors:

Li Chunling
Huang Xuemei

Non-executive Directors:

Huang Qingping
Xie Chenguang (*Chairman*)
Ma Baohua
Zhu Li

Independent Non-Executive Directors:

Chow Siu Hang
Li Yougen
Mao Ning

Registered office:

Sertus Chambers, Governors Square
Suite #5-204, 23 Lime Tree Bay Avenue
P.O. Box 2547
Grand Cayman KY1-1104
Cayman Islands

Principal place of business in Hong Kong:

Room 4502, 45/F
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

10 December 2021

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION RELATING TO THE 2022 SECOND MASTER PROPERTY MANAGEMENT AGREEMENT

INTRODUCTION

Reference is made to the section headed “Continuing Connected Transactions” in the Prospectus. As the term of the 2019 Second Master Property Management Agreement shall expire on 31 December 2021, the Company intends to renew such agreement on or before its expiry date.

Reference is also made to the announcement of the Company dated 11 November 2021 in relation to, among other things, the entering into of the 2022 Second Master Property Management Agreement. Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders’ approval in relation to the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder at the EGM.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) details of the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of EGM.

2022 SECOND MASTER PROPERTY MANAGEMENT AGREEMENT

On 11 November 2021 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and Yincheng International (for itself and on behalf of its subsidiaries) entered into the 2022 Second Master Property Management Agreement, major terms of which are set out below.

Term	:	From 1 January 2022 to 31 December 2024 (both days inclusive)
Parties	:	(i) the Company (for itself and on behalf of its subsidiaries); and (ii) Yincheng International (for itself and on behalf of its subsidiaries)
Condition precedent	:	Performance of the 2022 Second Master Property Management Agreement, together with the transactions contemplated thereunder, are subject to the compliance of the relevant rules regarding continuing connected transactions as set out in the Listing Rules by the Company and Yincheng International.
Service scope	:	The Group shall provide the following property services to the Yincheng International Group: (i) property management services, including but not limited to cleaning, gardening, waste disposal, parking, traffic and security management services; (ii) professional services, including but not limited to facility installation, maintenance and renovation services; and (iii) value-added services, including but not limited to community value-added services, consultation services for unsold property units, and other referral and agency services.

LETTER FROM THE BOARD

Service target : The property services shall be provided in respect of:

- (i) both sold and unsold property units prior to the agreed delivery date set out in the property purchase contract for projects developed or owned by the Yincheng International Group. Such properties include residential and non-residential properties; and
- (ii) the common area and facilities of such properties, and other related sites such as sales offices, parking spaces and storage rooms.

Relevant subsidiaries of both parties will enter into separate agreements which will set out the specific terms and conditions according to the principles provided in the 2022 Second Master Property Management Agreement. The maximum term of each separate agreement for the provision of property services shall be determined by the contract parties after arm's length negotiations, provided always that such term shall expire on or before 31 December 2024 (being the expiry date of the term of the 2022 Second Master Property Management Agreement).

Pricing policy

The service fees to be charged for the provision of property services shall be determined by the contract parties after arm's length negotiations at the time of entry into the relevant agreements with reference to:

- (i) the location of the properties; and
- (ii) the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees charged for similar services and similar types of projects in the market, and the expected increase in costs caused by external factors such as inflation and socio-economic development.

The services fees to be charged shall be fair and reasonable, in line with the prevailing market rate for such property services, and not higher than the standard fees as set by the relevant regulatory authorities in the PRC (if applicable).

Reasons for and benefits of the 2022 Second Master Property Management Agreement

With the continuous increase in properties developed by the Yincheng International Group, the transaction amount between the Group and the Yincheng International Group is expected to continue to increase. Based on the historical transaction amount under the 2019 Second Master Property Management Agreement and the estimation of the number of properties which will require the Group's property management services under the 2022 Second Master Property Management Agreement, it is expected that the 2022 Second Master Property Management Agreement will contribute to a stable revenue stream to the Group.

LETTER FROM THE BOARD

In addition, the Group has been providing property management services to the Yincheng International Group for over 20 years since its establishment, through which the Group is familiar with the requirements and standards as expected from the Yincheng International Group. It is therefore believed that the continuous cooperation between the Group and the Yincheng International Group can foster growth of the Group in a cost-effective manner as the Group will be able to respond to the various requests of the Yincheng International Group responsively.

Annual caps

Historical transaction values and annual caps

The annual caps in respect of the services provided under the 2019 Second Master Property Management Agreement for the years ended 31 December 2019 and 2020 and the year ending 31 December 2021 are RMB45.9 million, RMB75.1 million and RMB76.8 million, respectively.

For each of the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021, the total revenue generated by the Group for providing the property management services to the Yincheng International Group was approximately RMB25.1 million, RMB32.9 million and RMB51.9 million, respectively.

Proposed Annual Cap and basis of determination

For the year ending 31 December		
2022	2023	2024
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
126,890	151,760	148,480

In arriving at the Proposed Annual Cap, the Directors have considered the following factors:

- (i) the historical transaction amounts during the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021;
- (ii) as the amount of GFA available for delivery by the Yincheng International Group is expected to increase for the three years ending 31 December 2024, the amount of GFA which requires the property management services of the Group may increase, leading to there being an increase of service fees to be charged by the Group for the corresponding period. Such service fees are determined with reference to the prevailing market rate taking into account the location of the project, the anticipated operational costs (including labour costs, material costs and administrative costs) in compliance with the relevant PRC laws and regulations;

LETTER FROM THE BOARD

- (iii) as the number of projects to be delivered by the Yincheng International Group is expected to increase for the three years ending 31 December 2024, the number of sales offices required shall increase for the sale of properties under such projects, resulting in an increase of the property management services of the Group for such sales offices;
- (iv) the labour costs for maintaining sales offices of property projects of the Yincheng International Group for the three years ending 31 December 2024 with reference to the number of property projects to be available for sale, the estimated number of months required for maintaining such sales offices which will depend on the scale of property projects and the number of properties available for sale, the minimum number of staff to be stationed in each sales office, and the estimated labour costs for the Group for the three years ending 31 December 2024. The labour costs is expected to increase as a result of the increase in minimum monthly wages by over 13% in Nanjing, the PRC with effect from 1 August 2021 according to Nanjing Municipal Human Resources and Social Security Bureau (南京市人力資源和社會保障局) as compared to that in 2019 and 2020;
- (v) as the Group provides property management services to both (a) residential and non-residential properties; and (b) sold property units and unsold property units, the scope of service, manpower and resources required and the scale of properties which required the Group's property management services would affect the service fees to be charged;
- (vi) the development potential of the business of the Group, and the anticipated diversified value-added services which can be provided by the Group to the Yincheng International Group, including but not limited to fitness services, team building activities organisation, interior renovation, operation of staff canteens, business meeting reception and group buying. As the scope of value-added services to be made available to corporate clients including the Yincheng International Group is expected to increase from time to time, the service fees to be charged by the Group shall increase correspondingly; and
- (vii) the prevailing market rate for the provision of services of similar scope and quality.

Listing Rules Implications

As at the date of the 2022 Second Master Property Management Agreement, Yincheng International is indirectly owned as to approximately 37.26% by Mr. Huang, a non-executive Director and a controlling shareholder of the Company. Yincheng International is thus an associate of Mr. Huang and therefore a connected person of the Company. The entering into of the 2022 Second Master Property Management Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratio(s) calculated with reference to the Proposed Annual Cap exceed 5%, the transactions contemplated under the 2022 Second Master Property Management Agreement is subject to the reporting, announcement, circular, independent financial advice, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

To ensure that the fees to be charged are on normal commercial terms that are no less favourable to the Group, the Group has adopted the following measures to review and assess whether the individual transactions will be conducted in accordance with the respective pricing policy of the 2022 Second Master Property Management Agreement:

- (i) the relevant personnel from the financial department will closely monitor the transactions to ensure that the transaction amounts do not exceed the Proposed Annual Cap and will report his/her findings on a monthly basis;
- (ii) the entering into and implementation of individual contracts shall be subject to appropriate approval of the management, whereby staff of a particular project of the Group shall submit a set of information for the management's review and approval via the Group's internal online portal. This includes (a) the relevant individual contract(s); (b) the fee quotation(s) provided to client and if there is any discount given, the reason(s) behind; and (c) the internal standard pricing guidance of the Group which is set by senior management of different departments;
- (iii) the management will conduct regular reviews of fees charged towards Independent Third Parties and to keep abreast with the prevailing fee level in the market and the market conditions in assessing whether the fees charged for a specific transaction is fair and reasonable. In particular, the management shall periodically, and from time to time as and when needed, gather market information by way of research, investigation and/or the obtaining of fee quotations from independent property management service providers to ascertain whether the service fees charged by the Group for each type of property service are in line with those offered by other service providers in the market;
- (iv) the auditors of the Company shall conduct annual reviews on the pricing to ensure that the transaction amount is within the Proposed Annual Cap and the transactions are conducted on the principal terms of the respective 2022 Second Master Property Management Agreement; and
- (v) the independent non-executive Directors shall review the management's reports on the transactions under the respective 2022 Second Master Property Management Agreement.

LETTER FROM THE BOARD

THE DIRECTORS' VIEWS

Mr. Huang is the chairman, a non-executive director and controlling shareholder of Yincheng International. Mr. Xie is a non-executive director and shareholder of Yincheng International. Mr. Ma and Mr. Zhu are both executive directors of Yincheng International. Accordingly, Mr. Huang, Mr. Xie, Mr. Ma and Mr. Zhu have abstained from voting on the Board resolutions in connection with the 2022 Second Master Property Management Agreement to avoid actual or perceived conflict of interests. Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the other Directors have material interest in the transactions contemplated under the 2022 Second Master Property Management Agreement.

The Directors (other than Mr. Huang, Mr. Xie, Mr. Ma and Mr. Zhu, but including the independent non-executive Directors) believe that the 2022 Second Master Property Management Agreement was entered into in the ordinary and usual course of business of the Group after arm's length negotiations and on normal commercial terms and, together with the Proposed Annual Cap, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

Yincheng Life Service is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. The Group is an established property management service provider in the PRC with over 20 years of industry experience in providing property management services and community value-added services. Yincheng Life Service's business covers a wide spectrum of properties, including residential properties and eleven types of non-residential properties, namely government facilities, financial institutions, property sales offices, medical institutions, commercial complex, parks, transportation facilities, industrial parks, mixed-use properties, schools and office buildings.

Yincheng International

Yincheng International is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. Yincheng International Group is an established property developer in the PRC focusing on developing quality residential properties in the Yangtze River Delta Megalopolis for customers of all ages. The Yincheng International Group commenced property development operations in Nanjing and successfully expanded its footprint to other cities in the Yangtze River Delta Megalopolis, including Wuxi, Hefei, Suzhou, Hangzhou, Zhenjiang, Xuzhou, Taizhou, Wenzhou and Huai'an.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The EGM will be held for the purpose of considering and, if thought fit, approving the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder by the Independent Shareholders.

Under Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in a proposed transaction must abstain from voting at the relevant general meeting on the relevant resolution(s). In accordance with the Listing Rules, Mr. Huang, Mr. Xie, Mr. Ma, Mr. Zhu and Mr. Dai Chengshu, all being Shareholders and also shareholders of Yincheng International, and their associates will abstain from voting at the EGM on the resolutions regarding the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, based on the knowledge of the Company after having made all reasonable enquiries, Mr. Huang, Mr. Xie, Mr. Ma, Mr. Zhu and Mr. Dai Chengshu control or is entitled to exercise control over 103,289,680, 14,500,000, 13,440,000, 6,720,000 and 31,160,000 Shares, representing approximately 38.66%, 5.43%, 5.03%, 2.52% and 11.66% of the voting rights of the Company.

A notice convening the EGM to be held at 9:00 a.m. on Friday, 31 December 2021 at 21/F, Block A Yincheng Plaza, 289 Jiangdong Avenue North, Gulou District, Nanjing, Jiangsu Province, China is set out on pages 42 to 43 of this circular for the purpose of considering and, if thought fit, approving the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. For determining the entitlement to attend and vote at the EGM to be held on Friday, 31 December 2021, the register of members of the Company will be closed from Tuesday, 28 December 2021 to Friday, 31 December 2021 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged for registration with Computershare Hong Kong Investor Services Ltd., the branch share registrar and transfer office of the Company in Hong Kong, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 24 December 2021.

Pursuant to Article 72 of the Articles, a resolution put to the vote of any general meeting shall be decided by poll, save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted by a show of hands.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote need not use all votes or cast all the votes in the same way.

LETTER FROM THE BOARD

Whether or not you are able to attend the EGM (or any adjournment thereof), please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Ltd., the branch share registrar and transfer office of the Company in Hong Kong, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any adjournment thereof) in person should you so wish.

RECOMMENDATION

Your attention is drawn to the Letter from the Independent Board Committee set out on pages 14 to 15 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 16 to 35 of this circular, consider that the terms of the 2022 Second Master Property Management Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or better and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



銀城生活服務有限公司

YINCHENG LIFE SERVICE CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1922)

10 December 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION RELATING TO THE 2022 SECOND MASTER PROPERTY MANAGEMENT AGREEMENT

We refer to the circular dated 10 December 2021 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

We wish to draw your attention to (i) the letter from the Board set out on pages 5 to 13 of the Circular; (ii) the letter from Red Sun Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder, set out on pages 16 to 35 of the Circular; and (iii) the additional information as set out in the appendices of the Circular.

Having considered the factors and reasons considered by and the opinion of the Independent Financial Adviser stated in its letter of advice contained in the Circular, we are of the view that the terms of the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned, and the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2022 Second Master Property Management Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee

Chow Siu Hang

Li Yougen

Mao Ning

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Red Sun Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, including the Proposed Annual Caps, prepared for the purpose of incorporation in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

10 December 2021

To: *The independent board of committee and the independent shareholders of
Yincheng Life Service Co., Ltd.*

CONTINUING CONNECTED TRANSACTION RELATING TO THE 2022 SECOND MASTER PROPERTY MANAGEMENT AGREEMENT

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders with regard to the continuing connected transactions in connection with the the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder (together the “**Continuing Connected Transactions**”), including the Proposed Annual Cap. Details of the 2022 Second Master Property Management Agreement are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 10 December 2021 (the “**Circular**”). Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

As the term of 2019 Second Master Property Management Agreement shall expire on 31 December 2021, the Company entered into the 2022 Second Master Property Management Agreement to renew such agreement. On 11 November 2021 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and Yincheng International (for itself and on behalf of its subsidiaries) entered into, among others, the 2022 Second Master Property Management Agreement for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

As at the date of the 2022 Second Master Property Management Agreement, Yincheng International is indirectly owned as to approximately 37.26% by Mr. Huang, being a non-executive Director and a controlling shareholder of the Company. Yincheng International is thus an associate of Mr. Huang and therefore a connected person of the Company and the entering into of the 2022 Second Master Property Management Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratio(s) calculated with reference to the Proposed Annual Cap exceed 5%, the transactions contemplated under the 2022 Second Master Property Management Agreement is subject to the reporting, announcement, circular, independent financial advice, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As set out in the Letter from the Board, in accordance with the Listing Rules, Mr. Huang, Mr. Xie, Mr. Ma, Mr. Zhu and Mr. Dai Chengshu, all being Shareholders and also shareholders of Yincheng International, and their associates will abstain from voting at the EGM on the resolutions regarding the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, based on the knowledge of the Company after having made all reasonable enquiries, Mr. Huang, Mr. Xie, Mr. Ma, Mr. Zhu and Mr. Dai Chengshu control or is entitled to exercise control over 103,289,680, 14,500,000, 13,440,000, 6,720,000 and 31,160,000 Shares, representing approximately 38.66%, 5.44%, 5.04%, 2.52% and 11.66% of the voting rights of the Company.

II. THE INDEPENDENT BOARD COMMITTEE

The Board consists of nine Directors, namely Mr. Li Chunling and Ms. Huang Xuemei as executive Directors, Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li as non-executive Directors, Mr. Chow Siu Hang, Mr. Li Yougen and Mr. Mao Ning as independent non-executive Directors.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Chow Siu Hang, Mr. Li Yougen and Mr. Mao Ning, has been established to advise the Independent Shareholders as to whether the 2022 Second Master Property Management Agreement and the transactions contemplated thereunder (including the Proposed Annual Cap) are entered into in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

Our appointment has been approved by the Independent Board Committee. Our role as the independent financial adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether the transactions contemplated under the 2022 Second Master Property Management Agreement (including the Proposed Annual Cap) are in the ordinary and usual course of business, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote in respect of the relevant resolution to approve the transactions contemplated under the 2022 Second Master Property Management Agreement (including the Proposed Annual Cap) at the EGM.

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III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Yincheng International Group and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions. In the previous two years, we have not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company for any transaction.

Apart from the normal advisory fee paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we have received or will receive any fees or benefits from the Company that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice to the Independent Board Committee and Independent Shareholders, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and the Yincheng International Group and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, and the Yincheng International Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

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We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company, the Yincheng International Group and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

V. BACKGROUND INFORMATION OF THE CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion on the Continuing Connected Transactions, we have taken into consideration the following factors and reasons:

1. Background information of the Group

As disclosed in the Letter from the Board, Yincheng Life Service is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. It is an established property management service provider in the PRC with over 20 years of industry experience in providing property management services and community value-added services. Yincheng Life Service's business covers a wide spectrum of properties, including residential properties and eleven types of non-residential properties, including government facilities, financial institutions, property sales offices, medical institutions, commercial complex, parks, transportation facilities, industrial parks, mixed-use properties, schools and office buildings.

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Set out below is the summary of the Group’s (i) audited consolidated statements of profit or loss and comprehensive income and consolidated statements of financial position for the years ended 31 December 2019 and 2020 as set out in the annual report of the Group for the year ended 31 December 2020 (the “**2020 Annual Report**”); and (ii) unaudited consolidated financial results of the Group for the six months ended 30 June 2020 and 2021 as set out in the interim report of the Group for the six months ended 30 June 2021 (the “**2021 Interim Report**”):

Summary of consolidated statements of profit or loss and comprehensive income

	For the six months ended		For the year ended	
	30 June		31 December	
	2021	2020	2020	2019
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Revenue				
– Property management services	461,750	336,333	771,917	553,091
– Community value-added services	125,690	80,409	189,830	142,674
– Gross rental income	213	128	270	–
	<u>587,653</u>	<u>416,870</u>	<u>962,017</u>	<u>695,765</u>
Total Revenue				
	58,749	43,879	98,819	46,119
Profit before tax				
Profit attributable to owners of the Company	40,191	29,536	67,286	33,121

For the six months ended 30 June 2021 compared to the six months ended 30 June 2020

For the six months ended 30 June 2021, the revenue increased by approximately RMB170.8 million or approximately 41.0%, from approximately RMB416.9 million for the six months ended 30 June 2020 to approximately RMB587.7 million for the six months ended 30 June 2021. As disclosed in the 2021 Interim Report, such increase was mainly attributable to (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 the provision of 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) revenue generated from Nanjing Hui ren HengAn Property Management Co., Ltd.* (南京匯仁恆安物業管理有限公司) only being consolidated to the Group’s revenue upon completion of its acquisition in March 2020, leading to there being only three months of consolidated effect for the six months ended 30 June 2020 while six months of consolidated effect was reflected for the six months ended 30 June 2021.

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As disclosed in the 2021 Interim Report, (i) revenue from the provision of property management services increased by approximately 37.3% from approximately RMB336.3 million for the six months ended 30 June 2020 to approximately RMB461.8 million for the six months ended 30 June 2021, such increase was primarily due to the continuous increase in (a) the Group's gross floor area (the "GFA") under management in residential properties projects; and (b) the number of non-residential properties projects undertaken by the Group; and (ii) revenue from the provision of community value-added services increased by approximately 56.3% from approximately RMB80.4 million for the six months ended 30 June 2020 to approximately RMB125.7 million for the six months ended 30 June 2021, such increase was primarily due to (a) an increase of number of projects under management; (b) more community value-added services being provided to the residential projects under management as a result of optimisation of the property management environment; and (c) diversification of the scope of services provided by the Group

It is also noted that profit attributable to owners of the Company increased by approximately RMB10.7 million or approximately 36.3%, from approximately RMB29.5 million for the six months ended 30 June 2020 to approximately RMB40.2 million for the six months ended 30 June 2021. Such increase was mainly attributable to the increase in revenue as analysed above as well as the cost structure as further set out in the 2021 Interim Report.

For the year ended 31 December 2020 compared to the year ended 31 December 2019

For the year ended 31 December 2020, the revenue of the Group increased by approximately RMB266.2 million or approximately 38.3%, from approximately RMB695.8 million for the year ended 31 December 2019 to approximately RMB962.0 million for the year ended 31 December 2020. As disclosed in the 2020 Annual Report, such increase was mainly attributable to (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 the provision of 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 revenue recorded by the Group after completion of the acquisition of 51% equity interest in Nanjing Huiren HengAn Property Management Co., Ltd..

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As disclosed in the 2020 Annual Report, (i) revenue from the provision of property management services increased by approximately 39.6% from approximately RMB553.1 million for the year ended 31 December 2019 to approximately RMB771.9 million for the year ended 31 December 2020, such increase was primarily due to the continuous increase in (a) the Group's GFA under management in residential properties projects; and (b) the number of non-residential properties projects undertaken by the Group; (ii) revenue from the provision of community value-added services increased by approximately 33.0% from approximately RMB142.7 million for the year ended 31 December 2019 to approximately RMB189.8 million for the year ended 31 December 2020, such increase was primarily due to an increase in (a) the number of projects under management; and (b) the diversification of the scope of services provided by the Group.

In addition, it was also noted that profit attributable to owners of the Company increased by approximately RMB34.2 million or approximately 103.3%, from approximately RMB33.1 million for the year ended 31 December 2019 to approximately RMB67.3 million for the year ended 31 December 2020.

Summary of consolidated statement of financial position

	As at	As at 31 December	
	30 June	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)	(audited)
Total assets	880,445	981,052	694,711
– Trade receivables	225,556	127,836	70,761
– Due from related companies	144,872	95,383	66,947
– Cash and cash equivalent	275,024	566,915	447,819
Total liabilities	660,440	785,481	572,909
– Other payables, deposits received and accruals	222,978	194,661	266,078
– Contract liabilities	204,597	233,982	193,489
– Interest-bearing bank and borrowings	82,000	280,000	50,000
Total equity attributable to owners of the Company	192,931	173,427	122,240

Note: For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.

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Financial position of the Group as at 30 June 2021 compared to 31 December 2020

The Group's total assets decreased by approximately RMB100.7 million or approximately 10.3% from approximately RMB981.1 million as at 31 December 2020 to approximately RMB880.4 million as at 30 June 2021. Such decrease was primarily attributable to the decrease in cash and cash equivalent from approximately RMB566.9 million as at 31 December 2020 to approximately RMB275.0 million as at 30 June 2021. As at 30 June 2021, assets of the Group mainly comprised of cash and cash equivalent of approximately RMB275.0 million, trade receivables of approximately RMB225.6 million and amount due from related companies of approximately RMB144.9 million, which accounted for approximately 31.2%, 25.6% and 16.5% of the total assets, respectively.

The Group's total liabilities decreased by approximately RMB125.1 million or approximately 15.9%, from approximately RMB785.5 million as at 31 December 2020 to approximately RMB660.4 million as at 30 June 2021. Such decrease was mainly attributable to the decrease in interest-bearing bank and borrowings from approximately RMB280.0 million as at 31 December 2020 to approximately RMB82.0 million as at 30 June 2021. As at 30 June 2021, liabilities of the Group mainly comprised of other payables, deposits received and accruals of approximately RMB223.0 million and contract liabilities of approximately RMB204.6 million, which accounted for approximately 33.8% and 31.0% of the total liabilities, respectively.

Financial position of the Group as at 31 December 2020 compared to 31 December 2019

The Group's total assets increased by approximately RMB286.4 million or approximately 41.2% from approximately RMB694.7 million as at 31 December 2019 to approximately RMB981.1 million as at 31 December 2020. Such increase was primarily attributable to (i) the increase in cash and cash equivalent from approximately RMB447.8 million as at 31 December 2019 to approximately RMB566.9 million as at 31 December 2020; (ii) the increase in trade receivables from approximately RMB70.8 million as at 31 December 2019 to approximately RMB127.8 million as at 31 December 2020; and (iii) the increase in amount due from related companies from approximately RMB66.9 million as at 31 December 2019 to approximately RMB95.4 million as at 31 December 2020. As at 31 December 2020, assets of the Group mainly comprised of cash and cash equivalent of approximately RMB447.8 million, which accounted for approximately 64.5% of the total assets.

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The Group's total liabilities increased by approximately RMB212.6 million or approximately 37.1%, from approximately RMB572.9 million as at 31 December 2019 to approximately RMB785.5 million as at 31 December 2020. Such increase was mainly attributable to the increase in interest-bearing bank and borrowings of approximately RMB230.0 million from approximately RMB50.0 million as at 31 December 2019 to approximately RMB280.0 million as at 31 December 2020. As at 31 December 2020, liabilities of the Group mainly comprised of interest-bearing bank and borrowings of approximately RMB280.0 million, contract liabilities of approximately RMB234.0 million and other payables, deposits received and accruals of approximately RMB194.7 million, which accounted for approximately 35.6%, 29.8% and 24.8% of the total liabilities, respectively.

2. Background information on the Yincheng International Group

Yincheng International is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. Yincheng International Group is an established property developer in the PRC focusing on developing quality residential properties in the Yangtze River Delta Megalopolis. The Yincheng International Group commenced property development operations in Nanjing and successfully expanded its footprint to other cities in the Yangtze River Delta Megalopolis, including Wuxi, Hefei, Suzhou, Hangzhou, Zhenjiang, Xuzhou, Taizhou, Wenzhou and Huai'an.

3. Background information on the property management industry in the PRC

As set out on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>), year-on-year growth in gross domestic product ("GDP") for the PRC in 2020 was approximately 2.3% (2019: 6.0%) as the economy was temporarily and adversely affected by the coronavirus outbreak. However, the PRC economy has since continued to recover and recorded a period-on-period growth in GDP of approximately 9.8% for the nine months ended 30 September 2021 compared to the correspondence prior year period, based on preliminary data published by the National Bureau of Statistics of the PRC.

Pursuant to the Fourteenth Five Year Plan, the PRC government has announced the target urbanisation rate of the resident population* (常住人口城鎮化) for the next five years from 2021 to be approximately 65.0%. In this connection, the PRC government promoted urbanisation in the PRC through, among others, (i) accelerate the agricultural population urbanisation* (加快農業轉移人口市民化) by implementing two main strategies, namely further reform of the household registration system* (深化戶籍制度改革) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) improve urbanisation layout* (完善城鎮化空間佈局) by

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implementing five strategies, namely promote integrated development of conurbations* (推動城市群一體化發展), construct modernised metropolitan areas* (建設現代化都市圈), optimise and enhance functions of central urban areas in mega-sized-cities* (優化提升超大特大城市中心城區功能), improve habitability and employability in large and medium-sized cities* (完善大中城市宜居宜業功能) and promote urbanisation construction with counties/cities as major carriers* (推進以縣城為重要載體的城鎮化建設)¹.

Accordingly, the development of the PRC real estate market continues to be influenced by changes in the PRC government policies at a national and regional level, market environment as well as the overall economic development of the PRC. In view of the above, it is expected that the continuous increase in urbanisation rate in the PRC and the recovery of the PRC economy shall continue to drive the growth for the PRC real estate and the property management industries in the long term.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Reasons for and benefits of the 2022 Second Master Property Management Agreement

With the continuous increase in properties developed by the Yincheng International Group, the transaction amount between the Group and the Yincheng International Group is expected to continue to increase. Based on the historical transaction amount under the 2019 Second Master Property Management Agreement and the estimation of the number of properties which will require the Group's property management services under the 2022 Second Master Property Management Agreement, it is expected that the 2022 Second Master Property Management Agreement will contribute to a stable revenue stream to the Group.

In addition, the Group has been providing property management services to the Yincheng International Group for over 20 years since its establishment, through which the Group is familiar with the requirements and standards as expected from the Yincheng International Group. It is therefore believed that the continuous cooperation between the Group and the Yincheng International Group can foster growth of the Group in a cost-effective manner, the Management advised that as the Group has established communication channels with the Yincheng International Group at different level of the organisation and understand the requirements of Yincheng International Group through collaboration in past projects, given the above, the Group will therefore be able to respond to the various requests of the Yincheng International Group more efficiently and responsively than other new customers of the Group, thereby reducing the overall time and administrative costs.

¹ Publication of the State Council of the PRC titled “中共中央關於制定國民經濟和社會發展第十四個五年規劃和二〇三五年遠景目標的建議” (Source: www.gov.cn/zhengce/2020-11/03/content_5556991.htm)

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Having considered the following factors, among others, (i) the Continuing Connected Transactions shall be conducted in accordance with the relevant pricing policy and in the ordinary and usual course of business of the Group; (ii) the Company shall continue to seek business opportunities from both Independent Third Parties and connected parties and assess such opportunities based on their merit as a whole; (iii) the Continuing Connected Transactions are a furtherance of the Group's principal businesses; (iv) the Proposed Annual Cap, if approved, would facilitate the Continuing Connected Transactions to be conducted in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; and (v) the Group has the right but not the obligation to provide the relevant services to the Yincheng International Group, which shall be on terms determined in accordance with the respective pricing policies, we concur with the Directors' view that the Continuing Connected Transactions are in the interests of the Company as a whole.

2. Principal terms of the 2022 Second Master Property Management Agreement

The following information has been extracted from the Letter from the Board:

Term	:	From 1 January 2022 to 31 December 2024 (both days inclusive)
Parties	:	(1) the Company (for itself and on behalf of its subsidiaries) (2) Yincheng International (for itself and on behalf of its subsidiaries)
Condition precedent	:	Performance of the 2022 Second Master Property Management Agreement, together with the transactions contemplated thereunder, are subject to the compliance of the relevant rules regarding continuing connected transactions as set out in the Listing Rules by the Company and Yincheng International.
Service Scope	:	The Group shall provide the following property services to the Yincheng International Group: (i) property management services, including but not limited to cleaning, gardening, waste disposal, parking, traffic and security management services;

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(ii) professional services, including but not limited to facility installation, maintenance and renovation services; and

(iii) value-added services, including but not limited to community value-added services, consultation services for unsold property units, and other referral and agency services.

Service Target : The property management services shall be provided to:

(i) both sold and unsold property units prior to the agreed delivery date set out in the property purchase contract for projects developed or owned by the Yincheng International Group. Such properties include residential and non-residential properties; and

(ii) the common area and facilities of such properties, and other related sites such as sales offices, parking spaces and storage rooms.

Relevant subsidiaries of both parties will enter into separate agreements which will set out the specific terms and conditions according to the principles provided in the 2022 Second Master Property Management Agreement. The maximum term of each separate agreement for the provision of property services shall be determined by the contract parties after arm's length negotiations, provided always that such term shall expire on or before 31 December 2024 (being the expiry date of the term of the 2022 Second Master Property Management Agreement).

Pricing Policy

The service fees to be charged for the provision of property services shall be determined by the contract parties after arm's length negotiations at the time of entry into the relevant agreements with reference to:

(i) the location of the properties; and

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- (ii) the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees charged for similar services and similar types of projects in the market, and the expected increase in costs caused by external factors such as inflation and socio-economic development.

The services fees to be charged shall be fair and reasonable, in line with the prevailing market rate for such property services, and not higher than the standard fees as set by the relevant regulatory authorities in the PRC (if applicable).

3. Our analysis on the 2022 Second Master Property Management Agreement and work performed on the internal control procedures

As set out in the Letter from the Board, the services under the 2022 Second Master Property Management Agreement primarily comprise of (i) property management services (the “**Property Management Services**”), including but not limited to, cleaning, gardening, waste disposal, parking, traffic and security management services; and (ii) professional services (the “**Professional Services**”), including but not limited to, facility installation, maintenance and renovation services, and other value-added services (the “**Other Value-Added Services**”), including but not limited to, community value-added services, consultation services for unsold property units, and other referral and agency services.

We understand from the Management that the service fees to be charged for the provision of these property-related services shall be determined by the contract parties after arm’s length negotiations at the time of entry into the relevant agreements with reference to (i) the location of the properties; and (ii) the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees charged for similar services and similar types of projects in the market, and the expected increase in costs caused by external factors such as inflation and socio-economic development.

In respect of the Property Management Services, we have obtained and reviewed relevant sampled transactions included transactions between the Group and each of (i) the Independent Third Parties (the “**I3P Samples**”); and (ii) members of the Yincheng International Group (the “**Property Management Services Connected Samples**”) to assess whether the service fees charged under Property Management Services Connected Samples are comparable to those charged under the relevant I3P Samples. Based on the transaction documents obtained, we noted that the rate of relevant service fees charged under the Property Management Services Connected Samples were in line with those under the comparable I3P Samples.

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In respect of the Professional Services and Other Value-Added Services, we have obtained and reviewed relevant sampled transactions, i.e. transactions between the Group and the members of the Yincheng International Group. As advised by the Management, the Group did not enter into any relevant contracts in relation to the Professional Services or Other Value-Added Services with Independent Third Parties within the service scope of the 2019 Second Master Property Management Agreement. Nonetheless, given the continued business expansion of the Group with a view to offering a more diversified range of services to its existing and new customers, and as the Group's credentials and track record for Professional Services and Other Value-Added Services continued to enhance over time, thereby becoming more market competitive, it is the Management's intention to actively explore and compete for opportunities from Independent Third Parties in the future. In this connection, we have obtained from the Management the standard pricing list for a stated list of services (the "**Standard Pricing List**"), which sets out the respective rate of services to be charged. We understand from the Management that the service fee rate under the Standard Pricing List is applicable to both transactions with connected party and independent third party. We have checked, where applicable, the service fee rate of the Professional Services and the Other Value-Added Services connected samples against the Standard Pricing List respectively and did not note any non-compliance for the relevant samples, such is further confirmed by the Management.

In addition, for Professional Services and Other Value-Added Services connected samples which are not covered by the Standard Pricing List, we have requested and obtained from the Management the estimated profit level (in percentage term), calculated by revenue less relevant costs, of the relevant Professional Services connected samples and the Other Value-Added Services connected samples respectively, which were both found to be broadly in line with that of the Group's respective gross profit range (in percentage term) of property management services and community value-added services for the years ended 31 December 2019 and 2020, which conformed with the relevant internal control policy of the Group. As advised by the Management, the Professional Services and the Other Value-Added Services generally formed part of the property management services and the community value-added services, respectively.

In addition, we have discussed and understood from the Management that (i) the auditor of the Company will also conduct an annual review on the pricing terms and the annual caps under the 2022 Second Master Property Management Agreement; (ii) the finance department of the Group will monitor the actual transaction amounts contemplated under the 2022 Second Master Property Management Agreement and report to the Management if the aggregate transaction amount under the annual caps is close to its limit; and (iii) relevant personnel will conduct market research on the open market, where applicable, for the comparison of terms of agreement and submit for approval before entering into individual agreement. The Management has also confirmed that the transactions between the Group and the Yincheng International Group under the 2019 Second Master Property Management Agreement have been in compliance with the relevant internal control procedures.

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Based on our work and analysis performed and as set out above, including that, (i) the service fees of the sampled transactions with the Yincheng International Group reviewed were in line with the service fees charged under the comparable Independent Third Parties samples; (ii) in accordance with the Standard Pricing List; and/or (iii) the profit level (in percentage term) of the subject projects was in line with the Group's overall gross profit level (in percentage term), we are of the view that the effective implementation of the pricing policies and internal control measures is considered sufficient to ensure the Continuing Connected Transactions to be conducted shall be on normal commercial terms that are fair and reasonable.

4. Background and basis for determining the Proposed Annual Caps

Background of the Proposed Annual Caps

The annual caps in respect of the services provided under the 2019 Yincheng International Master Property Management Agreement for the years ended 31 December 2019 and 2020 and the year ending 31 December 2021 are RMB45.9 million, RMB75.1 million and RMB76.8 million, respectively.

For each of the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021, the total revenue generated by the Group for providing the property management services to the Yincheng International Group was approximately RMB25.1 million, RMB32.9 million and RMB51.9 million, respectively.

The table below sets out the proposed annual caps of the service fees payable to the Group by Yincheng International Group under the 2022 Second Master Property Management Agreement for each of the three years ending 31 December 2024:

	For the year ending 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed Annual Caps	126,890	151,760	148,480
	<i>(the "2022 Annual Cap")</i>	<i>(the "2023 Annual Cap")</i>	<i>(the "2024 Annual Cap")</i>

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Basis for determining the Proposed Annual Caps

As set out in the Letter from the Board, the Proposed Annual Caps were determined after taking into account:

- (i) the historical transaction amounts during the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021;
- (ii) as the amount of GFA available for delivery by the Yincheng International Group is expected to increase for the three years ending 31 December 2024, the amount of GFA which requires the property management services of the Group may increase, leading to there being an increase of service fees to be charged by the Group for the corresponding period. Such service fees are determined with reference to the prevailing market rate taking into account the location of the project, the anticipated operational costs (including labour costs, material costs and administrative costs) in compliance with the relevant PRC laws and regulations;
- (iii) as the number of projects to be delivered by the Yincheng International Group is expected to increase for the three years ending 31 December 2024, the number of sales offices required shall increase for the sale of properties under such projects, resulting in an increase of the property management services of the Group for sales offices;
- (iv) the labour costs for maintaining sales offices of property projects of the Yincheng International Group for the three years ending 31 December 2024 with reference to the number of property projects to be available for sale, the estimated number of months required for maintaining such sales offices which will depend on the scale of property projects and the number of properties available for sale, the minimum number of staff to be stationed in each sales office, and the estimated labour costs for the Group for the three years ending 31 December 2024. The labour costs are expected to increase as a result of the increase in minimum monthly wages by over 13% in Nanjing, the PRC with effect from 1 August 2021 according to Nanjing Municipal Human Resources and Social Security Bureau (南京市人力資源和社會保障局) as compared to that in 2019 and 2020;
- (v) as the Group provides property management services to both (a) residential and non-residential properties; and (b) sold property units and unsold property units, the scope of service, manpower and resources required and the scale of properties which required the Group's property management services would affect the service fees to be charged;

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- (vi) the development potential of the business of the Group, and the anticipated diversified value-added services which can be provided by the Group to the Yincheng International Group, including but not limited to fitness services, team building activities organisation, interior renovation, operation of staff canteens, business meeting reception and group buying. As the scope of value-added services to be made available to corporate clients including the Yincheng International Group is expected to increase from time to time, the service fees to be charged by the Group shall increase correspondingly; and
- (vii) the prevailing market rate for the provision of services of similar scope and quality.

Our analysis on the Proposed Annual Caps

As advised by the Management, the estimated demand of services to be provided by the Group under the 2022 Second Master Property Management Agreement is mainly driven by the progress and development of the relevant property projects of the Yincheng International Group at the relevant time. In this connection, we have conducted background research on the business and operations of the Yincheng International Group. With reference to the 2020 annual report, relevant announcements and prospectus of the Yincheng International Group, the contracted sales gross floor area (the “GFA”) of the Yincheng International Group (i) increased by approximately 26.8% for the ten months ended 31 October 2021 compared to the ten months ended 31 October 2020; and (ii) recorded a historical compound annual growth rate (“CAGR”) of approximately 76.7% between 2017 and 2020. On this basis, the fluctuation in CAGR and period-on-period growth ranged from approximately 26.8% to 76.7%. We also noted that the Group’s revenue (i) increased by approximately 38.3% for the year ended 31 December 2020 as compared to those for the year ended 31 December 2019; and (ii) increased by approximately 41.0% for the six months ended 30 June 2021 compared to the six months ended 30 June 2020. On this basis, the fluctuation in year-on-year/period-on-period growth ranged from approximately 38.3% to 41.0%.

Based on the information as set out in the Letter from the Board, (i) the historical transaction amount under the 2019 Second Master Property Management Agreement for the years ended 31 December 2019 and 2020, represented a year-on-year growth of approximately 31.1%; and (ii) the calculated annualised transaction amount based on the nine months ended 30 September 2021 of approximately RMB69.2 million² (the “**2021 Annualised Transaction Amount**”) as compared with that for the year ended 31 December 2020 represented a growth rate of approximately 110.3%. For illustration purposes only, in the event that the rate of growth continued at the aforesaid calculated rate of approximately 110.3%, the total transaction amount would be larger than the 2022 Annual Cap amount.

² The annualised amount calculated based on the transaction amount for the nine months ended 30 September 2021 is used for illustration purposes only and does not purport the actual transaction amount for the year ending 31 December 2021.

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As the business and operations of the Group continues to expand, and that based on the 2021 Annualised Transaction Amount, the 2022 Annual Cap of approximately RMB126.9 million represents an increase of approximately 83.4%, which is lower than the growth rate of the abovementioned 110.3% based on the 2021 Annualised Transaction Amount and the historical transaction amount of the year ended 31 December 2020. On this basis, the 2022 Annual Cap is considered to be reasonable. Furthermore, the Management has, to the extent possible, factored in the aforesaid historical fluctuations as well as potential growth in demand with a view to avoid a situation whereby the 2022 Annual Cap may become insufficient and lead to the possibility of a cessation of all relevant services in a short period of time and cause undue disruption to the subject projects. Such possible temporary cessation may be unduly burdensome and/or lengthy as it may subject to further administrative and/or approval procedures of two separate listed companies, where required, such would not be in the interests of the Company's operations or reputation.

Furthermore, the 2023 Annual Cap and 2024 Annual Cap, represent a year-on-year increase of approximately 19.6% and a year-on-year decrease of approximately 2.2%, respectively, both is considered to prudent estimations given the historical growth rate of the Group's revenue in the past and the relevant transaction amounts. Nonetheless, we have conducted further analysis below.

To further assess the reasonableness of the Proposed Annual Cap, we have obtained and reviewed a project schedule prepared by the Management in relation to the projects on hand, which may require relevant property services to be provided by the Group, subject to the award of the relevant contracts. We noted from the project schedule that (i) there are (a) not less than 10 existing projects with duration of not less than 18 months in which the estimated monthly service fee ranged from approximately RMB31,000 to approximately RMB287,000; and (b) not less than 10 potential projects with duration of not less than 18 months in which the estimated monthly service fee ranged from approximately RMB30,000 to approximately RMB300,000, and potential projects which may require Property Management Services and is estimated to contribute approximately RMB52.6 million, RMB53.7 million and RMB49.5 million for the years ending 31 December 2022, 2023 and 2024, respectively, towards the Proposed Annual Caps; (ii) there are over 25 projects with an aggregate GFA in excess of approximately 2,500,000 sq.m. up to 31 December 2024 that may require Professional Services and Other Value-Added Services which is estimated to contribute approximately RMB36.8 million, RMB50.6 million and RMB49.0 million for the years ending 31 December 2022, 2023 and 2024, respectively, towards the Proposed Annual Caps; (iii) there are approximately 1,800 saleable property units on hand and 3,600 potential saleable property units, such as car parking spaces, up to 31 December 2024 which is estimated to contribute approximately RMB37.5 million, RMB47.5 million and RMB50.0 million for the years ending 31 December 2022, 2023 and 2024, respectively, towards the Proposed

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Annual Caps; (iv) the service fee to be charged under the Standard Pricing List which is applicable to the Professional Services and the Other Value-Added Services; (v) as at 30 June 2021, Yincheng International Group had a land bank with an aggregate estimated GFA of approximately 7,577,397 sq.m. according to its interim report for the six months ended 30 June 2021, which is available for property development in the coming years; and (vi) we understand that the project schedule as mentioned above were prepared based on information available as at the Latest Practicable Date and does not include any potential new project from member(s) of the Yincheng International Group, where the information of which is not available as at the Latest Practicable Date, that may require relevant property services to be provided by the Group during the three years ending 31 December 2022, 2023 and 2024 which may become available subsequently.

Having considered, among others, (i) the historical growth rate of the relevant transaction amounts between 2019 to 2020, and the 2021 Annualised Transaction Amount, being approximately 31.1% and 110.3%, respectively; (ii) the growth rate represented by the 2022 Annual Cap, 2023 Annual Cap and 2024 Annual Cap; (iii) the historical compound annual growth rate of the Group's revenue of approximately 46.5% between 2017 and 2020 attributable to the Group's continued business expansion; (iv) the new/potential projects from Yincheng International Group of which the Group may provide Property Management Services and/or Professional Services and Other Value-Added Services to, as set out in the project schedule; and (v) the Group has the right but not the obligation to provide the relevant services to the Yincheng International Group under the 2022 Second Master Property Management Agreement, we consider the basis for determining the proposed annual caps under the 2022 Second Master Property Management Agreement to be fair and reasonable.

VII. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of the 2022 Second Master Property Management Agreement;
- (ii) the provision of services under the 2022 Second Master Property Management Agreement is a furtherance and continuance of the Group's existing principal businesses;
- (iii) based on our analysis and work performed under the section headed "3. Our analysis on the 2022 Second Master Property Management Agreement and work performed on the internal control procedures"; and
- (iv) the value of, and the basis for determining, the respective Proposed Annual Cap are reasonable as discussed in this letter above,

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we are of the view that the 2022 Second Master Property Management Agreement with Yincheng International, are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the Proposed Annual Cap, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the ordinary resolution to approve the 2022 Second Master Property Management Agreement (including the Proposed Annual Cap) at the EGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has around 15 years of experience in the corporate finance industry.

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, confirmed 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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the Shares, underlying Shares and debentures of the Company and associated corporations (within the meaning of Part XV of the SFO) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) recorded in the register required to be kept pursuant to section 352 of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard dealings by directors of listed issuer as referred to in the Model Code were as follows:

Name of Director	Nature of Interest	Number of Shares held (Note 1)	Approximate percentage of shareholding interest in the Company
Mr. Huang Qingping	Interest in controlled corporation (Note 2)	103,289,680 (L)	38.66%
Mr. Xie Chenguang	Interest in controlled corporation (Note 3)	14,500,000 (L)	5.43%
Mr. Ma Baohua	Interest in controlled corporation (Note 4)	13,440,000 (L)	5.03%
Mr. Zhu Li	Interest in controlled corporation (Note 5)	6,720,000 (L)	2.52%
Mr. Li Chunling	Beneficial owner (Note 6)	754,000 (L)	0.28%
	Interest in controlled corporation (Note 7)	5,343,040 (L)	2.00%
Ms. Huang Xuemei	Beneficial owner (Note 8)	190,000 (L)	0.07%
	Interest in controlled corporation (Note 9)	1,415,760 (L)	0.53%

Notes:

- (1) The letter “L” denotes a long position in the Shares held.
- (2) Mr. Huang Qingping is the sole director and sole shareholder of Silver Huang Holding Limited and Silver Wutong Holding Limited, respectively. As such, Mr. Huang Qingping is deemed under the SFO to be interested in the Shares held by Silver Huang Holding Limited and Silver Wutong Holding Limited.
- (3) Mr. Xie Chenguang is the sole director and sole shareholder of Silver Xie Holding Limited. As such, Mr. Xie Chenguang is deemed under the SFO to be interested in the Shares held by Silver Xie Holding Limited.
- (4) Mr. Ma Baohua is the sole director and sole shareholder of Silver Ma Holding Limited. As such, Mr. Ma Baohua is deemed under the SFO to be interested in the Shares held by Silver Ma Holding Limited.
- (5) Mr. Zhu Li is the sole director and sole shareholder of Silver Li Holding Limited. As such, Mr. Zhu Li is deemed under the SFO to be interested in the Shares held by Silver Li Holding Limited.
- (6) The Company has granted 320,000 share options to Mr. Li Chunling under the Share Option Scheme as at 30 June 2021, details of which are set out in the announcement of the Company dated 18 May 2021.
- (7) Mr. Li Chunling is the sole director and sole shareholder of Silver Chunling Holding Limited. As such, Mr. Li Chunling is deemed under the SFO to be interested in the Shares held by Silver Chunling Holding Limited.
- (8) The Company has granted 160,000 share options to Ms. Huang Xuemei under the Share Option Scheme as at 30 June 2021, details of which are set out in the announcement of the Company dated 18 May 2021.
- (9) Ms. Huang Xuemei is the sole director and sole shareholder of Silver Xuemei Holding Limited. As such, Ms. Huang Xuemei is deemed under the SFO to be interested in the Shares held by Silver Xuemei Holding Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company’s chief executive nor their associates had an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

So far as is known to any Director or the Company's chief executive, as at the Latest Practicable Date, the following persons (other than the Directors or the Company's chief executive whose interests are disclosed under the paragraph headed "Directors' and Chief Executive's Interests in Shares and underlying Shares" above) had an interest or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholder	Nature of Interest	Number of Shares held (Note 1)	Approximate percentage of shareholding interest in the Company
Silver Huang Holding Limited	Beneficial owner (Note 2)	96,120,000 (L)	35.98%
Silver Dai Holding Limited	Beneficial owner (Note 3)	31,160,000 (L)	11.66%
Mr. Dai Chengshu	Interest in controlled corporation (Note 3)	31,160,000 (L)	11.66%
Silver Zhu Holding Limited	Beneficial owner (Note 4)	18,880,000 (L)	7.07%
Mr. Zhu Linnan	Interest in controlled corporation (Note 4)	18,880,000 (L)	7.07%
Silver Xie Holding Limited	Beneficial owner (Note 5)	14,500,000 (L)	5.43%
Silver Ma Holding Limited	Beneficial owner (Note 6)	13,440,000 (L)	5.03%

Notes:

- (1) The letter "L" denotes a long position in the Shares held.
- (2) Mr. Huang Qingping is the sole director and the sole shareholder of each of Silver Huang Holding Limited and he is therefore deemed to be interested in all the Shares held by Silver Huang Holding Limited under the SFO.

- (3) Mr. Dai Chengshu is the sole director and the sole shareholder of Silver Dai Holding Limited and he is therefore deemed to be interested in all the Shares held by Silver Dai Holding Limited under the SFO.
- (4) Mr. Zhu Linnan is the sole director and the sole shareholder of Silver Zhu Holding Limited and he is therefore deemed to be interested in all the Shares held by Silver Zhu Holding Limited under the SFO.
- (5) Mr. Xie Chenguang is the sole director and the sole shareholder of Silver Xie Holding Limited and he is therefore deemed to be interested in all the Shares held by Silver Xie Holding Limited under the SFO.
- (6) Mr. Ma Baohua is the sole director and the sole shareholder of Silver Ma Holding Limited and he is therefore deemed to be interested in all the Shares held by Silver Ma Holding Limited under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had or deemed to have an interest or short position in the Shares and underlying Shares which was disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed "Continuing Connected Transactions" in the Prospectus and the announcements of the Company dated 2 July 2020 and 11 November 2021, which details the agreements entered into between the Group and (i) Yincheng International, a company in which Mr. Huang is the chairman, a non-executive director and a controlling shareholder, Mr. Xie is a non-executive director and shareholder, and Mr. Ma and Mr. Zhu are executive directors; (ii) Yincheng Real Estate, a company in which Mr. Huang is the chairman, director and controlling shareholder, Mr. Xie is a director and shareholder, and Mr. Ma and Mr. Zhu are shareholders; and (iii) Yuangu Ecological Agriculture, a company in which Mr. Huang, Mr. Xie, Mr. Ma and Mr. Zhu have indirect interest by reason of their respective shareholdings in Yincheng Real Estate, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group; and

- (b) none of the Directors had any direct or indirect interest in any assets which have since 31 December 2020 (being the date which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group; or were proposed to be acquired, disposed of by or leased to any member of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors was interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group of interests with the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinions or advices which are contained in this circular:

Name	Qualification
Red Sun Capital Limited	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Red Sun Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and reports and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Red Sun Capital Limited did not have any shareholding in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which had been, since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading positions of the Group since 31 December 2020 (being the date up to which the latest published audited financial statements of the Company were made up).

9. GENERAL

The English texts of this circular shall prevail over their Chinese texts.

10. 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.yinchenglife.hk) from the date of this circular up to and including 31 December 2021, being the date of the EGM:

- (a) the letter of recommendation from the Independent Board Committee dated 10 December 2021, the text of which is set out on pages 14 to 15 of this circular;
- (b) the letter of advice from Red Sun Capital Limited dated 10 December 2021, the text of which is set out on pages 16 to 35 of this circular;
- (c) the written consent of Red Sun Capital Limited, which was referred to in the section headed “7. Qualification and consent of expert” in this appendix;
- (d) the 2022 Second Master Property Management Agreement; and
- (e) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



銀城生活服務有限公司

YINCHENG LIFE SERVICE CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1922)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Yincheng Life Service CO., Ltd. (the “**Company**”) will be held at 9:00 a.m. on Friday, 31 December 2021 at 21/F, Block A Yincheng Plaza, 289 Jiangdong Avenue North, Gulou District, Nanjing, Jiangsu Province, China (the “**EGM**”) for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** (i) the 2022 Second Master Property Management Agreement (as defined in the circular of the Company dated 10 December 2021 (the “**Circular**”)) (a copy of which has been produced to the EGM and marked “A” and initialed by a Director for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and (ii) the Proposed Annual Cap (as defined in the Circular) be and are hereby approved and confirmed, and **THAT** any one or more of the directors of the Company be and are hereby authorised to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the 2022 Second Master Property Management Agreement and the implementation of all the transactions contemplated thereunder.”

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

Hong Kong, 10 December 2021

Notes:

1. A Shareholder who is entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A Shareholder who is the holder of two or more Shares of the Company may appoint more than one proxy. A proxy need not be a Shareholder.
2. To be valid, the form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be returned to the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before time appointed for holding the meeting or any adjournment thereof (as the case may be) and in default thereof the form of proxy shall not be treated as valid.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. For the purpose of determining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 28 December 2021 to Friday, 31 December 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of the Shares should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 December 2021.
4. Where there are joint holders of any Share, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting in person or by proxy, that one of the said joint holders so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
5. The Chinese version of the resolutions set out in this notice is for reference only. If there is any inconsistency between the English and the Chinese versions, the English version shall prevail.
6. **In order to facilitate the prevention and control of the spreading of COVID-19 pandemic and to safeguard the health and safety of the Shareholders of the Company, the Company encourages its Shareholders to consider appointing the chairman of the EGM as his/her proxy to vote on the relevant resolution at the EGM as an alternative to attending in person.**

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