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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)

INSIDE INFORMATION

(1) REMOVAL OF EXECUTIVE DIRECTOR (2) RE-DESIGNATION OF DIRECTOR AND (3) RESUMPTION OF TRADING

This announcement is made by Yincheng Life Service CO., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 and 13.51(2) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

REMOVAL OF EXECUTIVE DIRECTOR

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to announce that the Company recently received a report of allegations (“**Allegation A**”) against Mr. Li Chunling (the then executive Director of the Company) (“**Mr. Li**”) from a whistleblower. The main allegations under Allegation A are as follows:–

- (i) Mr. Li had, during 2019 to 2023, procured the Company to issue off-the-books bonus payments to himself without the approval of the Board. The approximate amount of the unauthorised payments for each year does not exceed approximately RMB2 million; and
- (ii) Mr. Li is interested in an entity with a nominee holding the interest of such entity on his behalf and, without disclosing his interest in such entity, formed a joint venture company with the Group.

Based on the information and evidence provided by the whistleblower, the Directors who received the Report considered that (i) while they have yet to identify any specified persons, it appears that in addition to Mr. Li, there may be other personnel involved in Allegation A; and (ii) Allegation A were serious and made in good faith, and casted doubt as to whether it would be suitable for Mr. Li to continue to perform the duties as a Director in accordance with Rule 3.08 of the Listing Rules, pending further investigation of Allegation A.

Accordingly, Mr. Li was removed from his office as a Director with immediate effect on 3 June 2024 by notice (the “**105(h) Notice**”) in writing served upon him signed by not less than $\frac{3}{4}$ in number (or if that is not a round number, the nearest lower round number) of the Directors (including Mr. Li) then in office in accordance with article 105(h) of the articles of association of the Company.

The Allegation E-mail and Letter

After the 105(h) Notice was served on Mr. Li, two independent non-executive Directors received an email from an employee of the Company (the “**Allegation E-mail**”), in which Mr. Li has also been looped in the Allegation E-mail and there was a letter purportedly provided (but not signed) by Mr. Li (the “**Letter**”), making certain allegations (“**Allegation B**”) against Mr. Huang Qingping (non-executive Director and controlling shareholder of the Company) (“**Mr. Huang**”). Allegation B in the Letter are summarised as follows:

- (a) Mr. Huang failed to disclose certain changes in the shareholding interest in the Company pursuant to Part XV of the SFO;
- (b) Mr. Huang misappropriated all the listing proceeds of the Company and has yet to return such proceeds to the Company and Mr. Huang has from time to time instigated Ms. Huang Xuemei, an executive Director and Chief Financial Officer of the Company, to misappropriate the operational capital of the Company since the listing of the Company;
- (c) The related party transactions in relation to “Advances to related companies” as disclosed under the sections headed “Related Party Transactions” in the annual reports (the “**Annual Reports**”) of the Company for the year ended 31 December 2021 and 2022 respectively were in fact transactions conducted by the Group with related entities controlled by Mr. Huang. Such transactions were not disclosed and are in breach of the connected transaction disclosure requirements under Chapter 14 of the Listing Rules; and
- (d) The personal expenditures of Mr. Huang have been reimbursed by the Company including without limitation personal expenditures of approximately RMB500,000.

Save for the above allegations, no evidence was provided in the Letter.

Upon receiving the Allegation E-mail and the Letter, the Board (excluding Mr. Huang) had conducted preliminary enquiries, including seeking preliminary explanations from Mr. Huang and the senior management of the Company on Allegation B and are of the views that such allegations do not have material impact on the operation and financial performance of the Company at this stage as:–

- (i) Mr. Li did not admit that the Letter was written by himself and no concrete evidence has been provided in relation to each of the allegations as mentioned in the Letter;
- (ii) the allegation set out in (a) of the Letter would only constitute an offence on the part of Mr. Huang personally;

- (iii) the senior management of the Company denied that the listing proceeds and operational capital of the Company had been misappropriately used;
- (iv) the related party transactions have already been disclosed in the Annual Reports; and
- (v) the amount involved in the allegation as set out in (d) of the Letter was not material relative to the size of the Group.

The Board (excluding Mr. Huang) will conduct further enquiries and fact-finding exercise in respect of the Allegation E-mail and the Letter and will determine whether the Investigation Committee (as defined below) will include Allegation B in the scope of the Investigation (as defined below).

The Company will make further announcement(s) in relation to any material development in connection with the above matters.

ESTABLISHMENT OF INVESTIGATION COMMITTEE AND SUSPENSION OF DUTIES AND ROLES OF MR. LI IN THE GROUP

The Board resolved by way of written resolutions that Mr. Li be suspended his role as president of the Company (the “**President**”) and any other role within the Group with effect from 7 June 2024.

A Board meeting was then convened on 8 June 2024, during which it was resolved unanimously that:

- (i) an investigation committee (the “**Investigation Committee**”) be established, comprising all the independent non-executive Directors to investigate and ascertain Allegation A and any loss suffered by the Company as a result. The Investigation Committee may engage professional third parties to assist in the investigation, where necessary.
- (ii) Mr. Xie Chenguang (“**Mr. Xie**”) be appointed as acting President and be re-designated as executive Director with effect from 8 June 2024.

Based on the information currently made available to the Board and considering the amount involved in Allegation A, the Board is of the view that pending the results and findings of the investigation (the “**Investigation**”) to be conducted by the Investigation Committee, Allegation A does not have any material impact on the financial performance and operation of the Group.

Save for that mentioned in this announcement, the Board was not made aware of any other inside information that is required to be disclosed pursuant to the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

RE-DESIGNATION OF DIRECTOR

The Board announces that with effect from 8 June 2024, Mr. Xie be re-designated from a non-executive Director to an executive Director and appointed as acting President, pending the results of the Investigation.

Mr. Xie, aged 61, is the chairman of the Board and an executive Director. He is primarily responsible for the formulation and provision of guidance and development strategies for the overall development of the Group. Mr. Xie joined the Group in December 1998. He was appointed as a Director on 13 June 2019 and was re-designated as a non-executive Director on 18 June 2019 and further re-designated as executive Director on 8 June 2024. Mr. Xie is currently also a non-executive director of Yincheng International Holding Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1902).

Mr. Xie obtained a diploma in industrial and civil engineering from Nanjing Jinling Vocational University in the PRC in August 1983 and obtained professional qualification as a senior engineer in November 2000. He then obtained his Executive Master of Business Administration (EMBA) degree from China Europe International Business School in the PRC in September 2007. He has more than 31 years of experience in the engineering and real estate industry in the PRC.

As at the date of this announcement, Mr. Xie held 9,493,398 shares of the Company through Silver Xie Holding Limited, a company directly wholly-owned by him, representing 3.55% of the total issued share capital of the Company.

Save as disclosed above, Mr. Xie (i) does not hold any other position in the Company or the Group; (ii) has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years prior to the date of his appointment; (iii) does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company; (iv) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. There are no other matters relating to the appointment of Mr. Xie that need to be brought to the attention of the shareholders of the Company, and there is no other information which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

As at the date of this announcement, Mr. Xie has entered into a letter of appointment with the Company for a term of three years commencing 26 August 2022, and is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Pursuant to the letter of appointment entered into with the Company, Mr. Xie is entitled to receive an annual remuneration of RMB80,000, which was determined by the Board with reference to his experience, duties and responsibilities with the Company, the Company's remuneration policy and the prevailing market rate, and is subject to review by the remuneration committee of the Company from time to time.

NON-COMPLIANCE WITH RULE 3.21 OF THE LISTING RULES

Pursuant to Rule 3.21 of the Listing Rules, the audit committee of a listed issuer shall comprise non-executive directors only. Following Mr. Xie's re-designation as an executive Director, the composition of the audit committee of the Company (the "**Audit Committee**") has failed to meet the relevant requirements under the Listing Rules. The Board will identify an appropriate person to replace Mr. Xie as a member of the Audit Committee as soon as possible and within three months' of Mr. Xie's re-designation. The Company will make further announcement(s) as and when appropriate.

DEVIATION FROM CORPORATE GOVERNANCE CODE

Pursuant to code provision C.2.1 of the Corporate Governance Code as set forth in Part 2 of Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), the roles of the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. Mr. Xie will serve as both the Chairman and the acting President. Although such practice deviates from code provision C.2.1 of the Corporate Governance Code, the Board considers that this is an interim measure pending the Investigation and time is needed for the Board to seek for an appropriate candidate as President. Further, in view of Mr. Xie's personal profile, extensive relevant industry knowledge and his work experience in and familiarity with the Group, the Board has confidence in vesting the roles of both the Chairman and President in Mr. Xie and believes that this will allow for more effective planning and execution of business strategies of the Group. In addition, under the supervision of the Board which, apart from Mr. Xie, comprises three non-executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

Therefore, the Board considers that the deviation from the code provision C.2.1 of the Corporate Governance Code will not be inappropriate in such circumstances.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company (the "**Shares**") on the Stock Exchange was suspended with effect from 9:00 a.m. on 3 June 2024 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9 a.m. on 12 June 2024.

The Company will make further announcement(s) in accordance with the Listing Rules as and when necessary in relation to any material development in connection with the above matters. Shareholders of the Company and investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 11 June 2024

As at the date of this announcement, the executive directors of the Company are Mr. Xie Chenguang and Ms. Huang Xuemei; the non-executive directors of the Company are Mr. Huang Qingping, Mr. Yao Ning and Mr. Pan Xiaohu; and the independent non-executive directors of the Company are Mr. Chow Siu Hang, Mr. Li Yougen and Mr. Mao Ning.