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萬桐園

CHINA WAN TONG YUAN (HOLDINGS) LIMITED

中國萬桐園(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6966)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board of directors (the “Board”) of China Wan Tong Yuan (Holdings) Limited (the “Company”) hereby presents the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months (the “Half-Yearly Period”) ended 30 June 2021 (the “Period”), together with the unaudited comparative figures for the corresponding period in 2020 as follows:

FINANCIAL HIGHLIGHTS

The unaudited revenue of the Group amounted to approximately RMB20,745,000 (six months ended 30 June 2020: RMB19,096,000) for the Period which represented an increase of RMB1,649,000 or 8.6% as compared with the corresponding period in 2020.

The profit attributable to owners of the Company was RMB7,655,000 (six months ended 30 June 2020: RMB8,654,000) for the Period, which represented a decrease of RMB999,000 or 11.5% as compared with the same period last year.

The Board does not recommend the payment of an interim dividend for the Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended	
		30 June	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	20,745	19,096
Cost of sales and services		(3,349)	(3,177)
		<hr/>	<hr/>
Gross profit		17,396	15,919
Other income	5	2,298	2,287
Other (losses)/gains	6	(464)	1,025
Loss on fair value changes of financial assets at fair value through profit or loss	13	(422)	(440)
(Loss)/gain on fair value change of investment property	11	(110)	60
Distribution and selling expenses		(3,573)	(3,349)
Administrative expenses		(3,750)	(3,851)
Finance costs		(765)	(42)
		<hr/>	<hr/>
Profit before tax	7	10,610	11,609
Income tax expense	8	(2,955)	(2,955)
		<hr/>	<hr/>
Profit and total comprehensive income for the period attributable to owners of the Company		7,655	8,654
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic (RMB cents)	9	0.8	0.9
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		At 30 June 2021	At 31 December 2020
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment		3,954	3,249
Right-of-use assets		335	623
Investment property	11	6,090	6,200
Cemetery assets	12	9,650	8,904
Prepayments and other receivables	14	37,256	8,000
Financial assets at fair value through profit or loss	13	<u>8,478</u>	<u>8,900</u>
		<u>65,763</u>	<u>35,876</u>
Current assets			
Inventories		18,490	18,605
Prepayments and other receivables	14	1,311	1,265
Bank balances and cash		<u>175,469</u>	<u>197,630</u>
		<u>195,270</u>	<u>217,500</u>
Current liabilities			
Trade and other payables	15	5,149	6,099
Lease liabilities		318	598
Contract liabilities	16	8,554	8,033
Income tax payable		<u>1,556</u>	<u>3,181</u>
		<u>15,577</u>	<u>17,911</u>
Net current assets		<u>179,693</u>	<u>199,589</u>
Total assets less current liabilities		<u>245,456</u>	<u>235,465</u>

		At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Non-current liabilities			
Lease liabilities		—	15
Contract liabilities	16	65,704	63,194
Deferred tax liabilities		2,075	2,234
		<u>67,779</u>	<u>65,443</u>
Net assets		<u>177,677</u>	<u>170,022</u>
Capital and reserves			
Share capital	17	66,192	66,192
Reserves		111,485	103,830
		<u>177,677</u>	<u>170,022</u>
Equity attributable to owners of the Company		<u>177,677</u>	<u>170,022</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2021*

	Attributable to owners of the Company				
	Share capital	Statutory surplus reserve	Other reserve	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020	66,192	9,771	1,309	75,209	152,481
Profit and total comprehensive income for the period	—	—	—	8,654	8,654
Transfer to statutory surplus reserve	—	965	—	(965)	—
At 30 June 2020	<u>66,192</u>	<u>10,736</u>	<u>1,309</u>	<u>82,898</u>	<u>161,135</u>
At 1 January 2021	66,192	12,143	1,309	90,378	170,022
Profit and total comprehensive income for the period	—	—	—	7,655	7,655
Transfer to statutory surplus reserve	—	997	—	(997)	—
At 30 June 2021	<u>66,192</u>	<u>13,140</u>	<u>1,309</u>	<u>97,036</u>	<u>177,677</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(21,783)	7,037
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,190)	(82)
Proceeds on disposal of property, plant and equipment	20	—
Interest received	860	1,367
Dividend income received from financial assets at fair value through profit or loss	700	800
Placement of restricted bank deposits	—	(1,600)
Placement of term deposits	(11,200)	—
Net cash (used in)/generated from investing activities	(10,810)	485
FINANCING ACTIVITIES		
Interest paid	(21)	(42)
Repayments of leases liabilities	(295)	(183)
Net cash used in financing activities	(316)	(225)
Net (decrease)/increase in cash and cash equivalents	(32,909)	7,297
Cash and cash equivalents at the beginning of period	143,830	189,280
Effect of foreign exchange rate changes	(452)	896
Cash and cash equivalents at the end of period represented by bank balances and cash	175,469	197,473
Less: bank deposits with original maturity over three months	(65,000)	—
Cash and cash equivalents at the end of the period	110,469	197,473

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL

China Wan Tong Yuan (Holdings) Limited (the “Company”) was incorporated and registered in the Cayman Islands on 25 January 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company had been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 27 September 2017, and the listing of its shares was transferred from GEM to the Main Board of the Stock Exchange on 17 December 2019. The principal activity of the Company is investment holding. Its subsidiaries are primarily engaged in the sale of burial plots and columbarium units, provision of other burial-related services and provision of cemetery maintenance services.

The ultimate holding company and immediate holding company of the Company is Tai Shing International Investment Company Limited (“Tai Shing International”), a company which was incorporated in the British Virgin Islands (the “BVI”) and is ultimately controlled by Ms. Zhao Ying (the “Ultimate Controlling Shareholder”).

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the “Group”), and all values are rounded to the nearest thousand (’000) unless otherwise indicated.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment property and certain financial instruments which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

4.1 Disaggregation of revenue

	For the six months ended 30 June 2021		
	Sales of burial plots, columbarium units and provision of other burial- related services <i>RMB'000</i> (unaudited)	Provision of cemetery maintenance services <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Types of goods and service			
Sales of burial plots	16,188	—	16,188
Provision of other burial-related services	2,323	—	2,323
Provision of cemetery maintenance services	—	2,234	2,234
Total	<u>18,511</u>	<u>2,234</u>	<u>20,745</u>
Timing of revenue recognition			
A point in time	16,188	—	16,188
Over time	2,323	2,234	4,557
Total	<u>18,511</u>	<u>2,234</u>	<u>20,745</u>

	For the six months ended 30 June 2020		
	Sales of burial plots, columbarium units and provision of other burial- related services <i>RMB'000</i> (unaudited)	Provision of cemetery maintenance services <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Types of goods and service			
Sales of burial plots	13,730	—	13,730
Sales of columbarium units	1,682	—	1,682
Provision of other burial-related services	1,723	—	1,723
Provision of cemetery maintenance services	—	1,961	1,961
Total	<u>17,135</u>	<u>1,961</u>	<u>19,096</u>
Timing of revenue recognition			
A point in time	15,412	—	15,412
Over time	<u>1,723</u>	<u>1,961</u>	<u>3,684</u>
Total	<u>17,135</u>	<u>1,961</u>	<u>19,096</u>

All of the Group's revenue is from contracts with customers and generated in the People's Republic of China (the "PRC") based on where goods are sold or services are rendered, and substantially all of the Group's identifiable assets and liabilities are located in the PRC.

4.2 Segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers, including Ms. Li Xingying, the general manager of Langfang Wantong Cemetery Co., Ltd. (“Langfang Wantong”), Ms. Wang Wei and Mr Huang Peikun (executive Directors of Langfang Wantong appointed on 29 March 2021), Mr. Huang Guangming (the deputy general manager of Langfang Wantong resigned on 29 March 2021), and Mr. Yu Minghua (the chief executive officer of Langfang Wantong resigned on 31 March 2020) (collectively the “CODM”), that are used to make strategic decisions. Information reported to the CODM is based on the products and services delivered or provided by the Group.

The Group’s operating and reporting segments are (i) sales of burial plots, columbarium units and provision of other burial-related services; and (ii) provision of cemetery maintenance services in the PRC.

Segment revenue and results

For the six months ended 30 June 2021 (unaudited)

	Sales of burial plots, columbarium units and provision of other burial- related services RMB’000	Provision of cemetery maintenance services RMB’000	Total RMB’000
Segment revenue	<u>18,511</u>	<u>2,234</u>	<u>20,745</u>
Segment results	<u>15,424</u>	<u>1,972</u>	<u>17,396</u>
Other income			2,298
Other losses			(464)
Loss on fair value changes of financial assets at fair value through profit or loss (“FVTPL”)			(422)
Loss on fair value change of investment property			(110)
Distribution and selling expenses			(3,573)
Administrative expenses			(3,750)
Finance costs			<u>(765)</u>
Profit before tax			<u><u>10,610</u></u>

For the six months ended 30 June 2020 (unaudited)

	Sales of burial plots, columbarium units and provision of other burial- related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	17,135	1,961	19,096
Segment results	14,109	1,810	15,919
Other income			2,287
Other gains			1,025
Loss on fair value changes of financial assets FVTPL			(440)
Gain on fair value change of investment property			60
Distribution and selling expenses			(3,349)
Administrative expenses			(3,851)
Finance costs			(42)
Profit before tax			<u>11,609</u>

Segment results represent the gross profit attributable to each segment. This is the measure reported to the Group's CODM for the purpose of resource allocation and performance assessment. There were no inter-segment revenue during the current and prior periods. No analysis of segment assets and liabilities is presented as it is not regularly reviewed by the Group's CODM.

5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest income on bank deposits	1,503	1,367
Dividend income from financial assets at FVTPL	700	800
Government grant	—	25
Rental income	95	95
	<u>2,298</u>	<u>2,287</u>

6. OTHER (LOSSES)/GAINS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	19	—
Foreign exchange (losses)/gains, net	(483)	1,025
	<u>(464)</u>	<u>1,025</u>

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	484	421
Depreciation of right-of-use assets	288	240
Amortisation of cemetery assets (included in cost of sales and services)	236	188
	<u>1,008</u>	<u>849</u>
Total depreciation and amortisation	1,008	849
Cost of inventories recognised as an expense	2,144	2,285
Staff costs, including Directors' remuneration:		
Salaries, wages and other benefits	3,093	2,927
Retirement benefits scheme contributions	175	33
	<u>3,268</u>	<u>2,960</u>
Total staff costs	3,268	2,960

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current enterprise income tax	3,222	3,050
Over provision in prior year	(108)	—
Deferred tax	(159)	(95)
	<u>2,955</u>	<u>2,955</u>

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<u>7,655</u>	<u>8,654</u>
Numbers of shares		
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

No diluted earnings per share were presented as there was no potential ordinary shares in issue for both periods.

10. DIVIDEND

The directors of the Company (the “Directors”) have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2020: nil).

11. INVESTMENT PROPERTY

	<i>RMB'000</i>
Fair value	
At 31 December 2020 (audited)	6,200
Loss on fair value change of investment property	<u>(110)</u>
At 30 June 2021 (unaudited)	<u>6,090</u>

The fair values of the Group’s investment property as at 30 June 2021 and 31 December 2020 have been arrived at based on a valuation performed by Vigers Appraisal & Consulting Limited (a member of the Hong Kong Institute of Surveyors), an independent qualified professional valuer not connected with the Group.

The fair value of investment property is derived using the direct comparison method. Direct comparison method is by reference to market comparable with adjustments to reflect the additions and locations of the subject property.

There has been no changes in the valuation technique during the current period.

12. CEMETERY ASSETS

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Leasehold land	4,086	4,156
Landscape facilities	5,170	4,346
Development costs	394	402
	<u>9,650</u>	<u>8,904</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Unlisted investments:		
— equity securities	8,478	8,900
	<u>8,478</u>	<u>8,900</u>

At 31 December 2020 and 30 June 2021, the Group had 10% equity interests in Huimin Town Bank Co., Ltd of Anci District, Langfang City (廊坊市安次區惠民村鎮銀行股份有限公司), which was classified as financial assets at FVTPL. During the six months ended 30 June 2021, the amount of loss on fair value changes of financial assets at FVTPL of RMB422,000 (six months ended 30 June 2020: RMB440,000) was charged to profit or loss.

The fair value of financial assets at FVTPL has been arrived at on the basis of valuation performed by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group. The Directors work closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at 30 June 2021 (unaudited) RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL	8,478	Level 3	Market approach: based on the target companies' financial performance and the multiples of comparable companies	P/B ratio: 0.80 (note) DLOM: 30%
			The key inputs are:	
			(1) Price to book ratio ("P/B ratio")	
			(2) Discount for lack of marketability ("DLOM")	

Note: An increase in the P/B ratio used in isolation would result in an increase in the fair value measurement of the financial assets at FVTPL, and vice versa. A 5% increase/decrease in the P/B ratio holding all other variables constant would increase/decrease the carrying amount of the investment by RMB424,000 (2020: RMB408,000).

14. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Current		
Interest receivables accrual	643	—
Staff advance	70	30
Prepayments	303	1,002
Others	295	233
	<u>1,311</u>	<u>1,265</u>
Non-current		
Guarantee deposits (note (a))	7,256	8,000
Prepayments (note (b))	30,000	—
	<u>37,256</u>	<u>8,000</u>

Notes:

- (a) The amount represented the guarantee deposits to a third party, Langfang Xinhangcheng Real Estate Development Co., Limited (廊坊市新航城房地產開發有限公司, "Xinhangcheng") for the development of a new cemetery project located in Langfang relocation and settlement zone, Beijing, and should there be no breach on the part of the Group before the official commencement of operation of the cemetery, Xinhangcheng shall within 90 days therefrom refund the guarantee deposit to the Group.

- (b) The amount represented the prepayment to a third party company for the demolition works for the new cemetery project as aforementioned in note (a). Subsequently, following Guangyang district government entrusted Baijiawu Office (白家務辦事處) to take lead in demolition and coordination works in the initial stage of the cemetery project, the Group requested to terminate the service agreement with the third party company and the prepayment was refunded on 11 August 2021 accordingly.

15. TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Trade payables	2,562	2,122
Accrued expenses	2,587	3,977
	<u>5,149</u>	<u>6,099</u>

The following is an aged analysis of trade payables presented based on the invoice date at 30 June 2021 and 31 December 2020:

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Less than 1 year	2,277	886
1 to 2 years	197	1,133
2 to 3 years	—	15
Over 3 years	88	88
	<u>2,562</u>	<u>2,122</u>

16. CONTRACT LIABILITIES

Contract liabilities represent the obligations to transfer burial plots, columbarium units and cemetery maintenance services in accordance with the revenue recognition policy and the nature of the business.

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Carrying amount analysed as:		
Amounts shown under current liabilities	8,554	8,033
Amounts shown under non-current liabilities	<u>65,704</u>	<u>63,194</u>
	<u><u>74,258</u></u>	<u><u>71,227</u></u>

Customers who purchase burial services are required to make advance payments for maintenance fees, relating to the on-going cemetery maintenance services of their burial plots and memorials over 20 years, and such amounts are generally paid together with the purchase of burial plots.

During the six months ended 30 June 2021, the Group generated revenue from the provision of cemetery maintenance services in the amount of approximately RMB2,234,000 (six months ended 30 June 2020: RMB1,961,000).

17. SHARE CAPITAL

	<i>Number of shares</i>	<i>RMB'000</i>
Ordinary shares of United States Dollar 0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 30 June 2021	<u>3,000,000,000</u>	<u>205,984</u>
Issue and fully paid:		
At 1 January 2020, 31 December 2020 and 30 June 2021	<u>1,000,000,000</u>	<u>66,192</u>

18. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The investment property held by the Group for rental purpose has committed tenants for one year with fixed rental.

At the end of each reporting period, minimum lease payments receivable on leases are as follow:

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Within one year	<u>200</u>	<u>200</u>

19. CAPITAL COMMITMENTS

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Contracted but not provided for in the condensed consolidated financial statements:		
— Expenditure in respect of cemetery assets	—	73
— Expenditure in respect of property, plant and equipment	—	88
	<u>—</u>	<u>161</u>

20. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of Directors and chief executive, who are also key management, is disclosed as follows:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Salaries and other benefits	645	443
Contribution to retirement benefit scheme	36	5
Discretionary performance-related bonus	<u>264</u>	<u>186</u>
	<u>945</u>	<u>634</u>

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Except for the financial assets at FVTPL disclosed in note 13, there are no other financial instruments measured at fair value on a recurring basis. The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these condensed consolidated financial statements approximate their fair values at the end of each reporting period.

22. EVENT AFTER THE END OF THE REPORTING PERIOD

- (a) On 7 May 2021, the Company entered into the loan agreement with China VAST Industrial Urban Development Company Limited (“China VAST”) (the “Loan Agreement”). Pursuant to the Loan Agreement, the Company had conditionally agreed to provide a loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to China VAST for a term of one year at an interest rate of 12% per annum. Ms. Zhao Ying is the controlling shareholder of both the Company and China VAST and accordingly, China VAST was regarded as a related party and a connected person of the Company pursuant to the Listing Rules. The Loan Agreement and the Loan contemplated thereunder constituted a major and connected transaction of the Company. The Loan has been drawn down on 2 July 2021.
- (b) Subsequent to the period end, Guangyang district government entrusted Baijiawu Office (白家務辦事處) to take lead in demolition and coordination works in the initial stage of the cemetery project located in Langfang relocation and settlement zone, Beijing. Accordingly, the Group requested to terminate the service agreement with a third party company and an amount of RMB30 million prepaid to the third party company was refunded to the Group on 11 August 2021. Further details are set out in note 14 to these financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group was principally engaged in the sale of burial plots and columbarium units, provision of other burial-related services and provision of cemetery maintenance services.

Sales of burial plots and columbarium units and provision of other burial-related services

The Group's burial service consists primarily of (1) sale of burial plots and columbarium units, which includes the right to use the burial plots and headstones and other ancillary products to be used on the burial plots, and the right to use the columbarium units; and (2) other burial-related services such as the organization and conducting of interment rituals, the design, construction and landscaping of the burial plots, and the engraving of inscriptions and ceramic photographs on the headstones. Burial service is the largest component of the Group's revenue, representing 89.2% of its revenue for the six months ended 30 June 2021 (2020: 89.7%). The Group's revenue from burial service, in particular, the sale of burial plots, for a given period is dependent upon the number and the average selling price of burial plots sold and recognized as revenue during the Period.

Providing cemetery maintenance services

The Group provides ongoing cemetery maintenance services as an integral part of its burial service to maintain its beautiful landscaped cemetery. Customers pay for maintenance fees upfront when signing the sales contracts to purchase the burial plots. The Group's revenue from cemetery maintenance was RMB2,234,000 for the six months ended 30 June 2021 (2020: RMB1,961,000).

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 8.6% from RMB19.1 million for the six months ended 30 June 2020 to RMB20.7 million for the six months ended 30 June 2021, with an increase in the revenue recorded from the sale of burial plots by RMB2.46 million and a slight increase in revenue from burial plots-related services.

Cost of sales and services

The Group's cost of sales and services was approximately RMB3.2 million and RMB3.3 million for the six months ended 30 June 2020 and 30 June 2021 respectively, representing an increase of 5.4%, due to the Group's cost of the sale of burial plots and burial plots-related services slightly increased.

The Gross profit and gross profit margin

As a result of the foregoing, the Group gross profit increased by 9.3% from RMB15.9 million for the six months ended 30 June 2020 to RMB17.4 million for the six months ended 30 June 2021. The Group's overall gross profit margin increased slightly from 83.4% for the six months ended 30 June 2020 to 83.9% for the six months ended 30 June 2021.

The Group's gross profit for burial service increased by 9.3% from RMB14.1 million for the six months ended 30 June 2020 to RMB15.4 million for the six months ended 30 June 2021, while the gross profit margin for burial service increased slightly from 82.3% for the six months ended 30 June 2020 to 83.3% for the six months ended 30 June 2021, which is fairly stable.

The gross profit for cemetery maintenance was RMB1.8 million and RMB2.0 million for the six months ended 30 June 2020 and 2021, respectively. The gross profit margin for cemetery maintenance decreased slightly from 92.3% for the six months ended 30 June 2020 to 88.3% for the six months ended 30 June 2021, which is considered fairly stable in terms of absolute amount.

Other income

The Group's other income for the six months ended 30 June 2021 was RMB2.3 million, which remained the same compared to that for the six months ended 30 June 2020.

Distribution and selling expenses

The Group's distribution and selling expenses increased by 6.7% from RMB3.3 million for the six months ended 30 June 2020 to RMB3.6 million for the six months ended 30 June 2021. This increment was primarily due to increase in (1) business development and (2) others tender agency fee and the consulting service fee of conservancy engineering.

Administrative expenses

The Group's administrative expenses decreased by 2.6% from RMB3.9 million for the six months ended 30 June 2020 to RMB3.8 million for the six months ended 30 June 2021.

Income tax expenses

The Group's income tax expense for the six months ended 30 June 2021 was RMB3.0 million, which remained the same compared to that for the six months ended 30 June 2020.

Profit and total comprehensive income for the period

As a result of the foregoing, the Group's profit and total comprehensive income for the Period decreased by 11.5% from RMB8.7 million for the six months ended 30 June 2020 to RMB7.7 million for the six months ended 30 June 2021. The Group's net profit margin decreased from 45.3% for the six months ended 30 June 2020 to 36.9% for the six months ended 30 June 2021, primarily due to the foreign exchange losses.

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flows. The Group's total equity was RMB177.7 million as at 30 June 2021, compared to RMB170.0 million as at 31 December 2020. Total assets amounted to RMB261.0 million as at 30 June 2021, compared to RMB253.4 million as at 31 December 2020, of which RMB175.5 million (2020: RMB197.6 million) was bank balances and cash.

Capital structure

The shares of the Company have been listed on the Main Board since 17 December 2019 (the "Listing Date"). There are no material change in the capital structure of the Company since the Listing Date. The capital of the Group comprises only ordinary shares.

Pledge of assets

There was no charge on the Group's assets as at 30 June 2021 and 31 December 2020.

Gearing ratio

As at 30 June 2021, the gearing ratio of the Group, being total liabilities to total assets, was 31.9% (31 December 2020: 32.9%), which indicates the Group's healthy liquidity position.

Material acquisitions, disposals and significant investments

There were no material acquisitions, disposals or significant investments during the Period.

Employee information

As at 30 June 2021, the Group had a total of 56 employees (30 June 2020: 57 employees). The Group provides employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

Segmental information

For the six months ended 30 June 2021, the Group has two operating and reporting segments namely (1) sales of burial plots and columbarium units and provision of other burial-related services and (2) provision of cemetery maintenance service.

PROSPECTS

The Group aspires to strengthen its market position in Langfang and expand its business in the Jing-Jin-Ji megalopolis and beyond through (1) expanding its business scope to provide funeral services; (2) tapping further into the burial services market in the Jing-Jin-Ji megalopolis; (3) providing columbarium collective storage services, actively cooperating and supporting the local government's city development plan; and (4) pursuing strategic alliance and acquisition opportunities, and actively develop the JV Cemetery Project.

The Group strengthens its market position in Langfang by further continuing to innovate and enhance our cemetery operations, upgrading our “Cloud Tomb-sweeping” online sweeping services, diversifying its burial-related services, and enhancing its marketing efforts.

The Group plans to operate its funeral services segment which not only allows the Group to diversify and step into other services areas besides its own products and services, but also enables the Group to maximize the productivity of its existing burial-related professionals and create synergy effects.

In respect of provision of columbarium collective service, the Group will continue to cooperate and support the local government’s city development plan, to provide funeral services and columbarium storage services and undertake tomb moving projects and projects and adding columbarium storage services for multiple villages at Beijing New Airport Zone (Langfang Region).

Due to the impact of epidemic, the development plan in the area of pursuing strategic alliance and acquisition opportunities is delayed , the JV Cemetery Project will be one of the major development projects of the Group. The Group will continue its further communication with related government departments to fasten the strategic planning and development progress. The management believes that the project will facilitate the Group to strengthen and expand its market position in Langfang and Jing-Jin-Ji megalopolis.

The Directors are confident that the Group’s core business can be strengthened with its stable and ordered operations and innovation.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus with the Group's actual business progress for the period from the listing date to 30 June 2021 is set out below:

STRENGTHENING THE MARKET POSITION IN LANGFANG

Objects	Implementation plan of 2021	Actual Business Progress up to the 30 June 2021
(i) Upgrading the environment and roads in the cemetery and developing new sectioned burial areas	<ul style="list-style-type: none"> • Continue to design other burial services and develop burial plots, carrying out relevant construction for flower burial, tree burial and other burial services, and prefabricated burial plots • Making customized burial plots according to customer's requirements from time to time • Upgrading the passages of the northern part of the cemetery • Setting up a cemetery services center 	<ul style="list-style-type: none"> • Designed and constructed the family graves in crypt-style and hill-style • Designed and started providing flower burial and tree burial services • Designed sea burial services and sculptures for sea burial services and designed wall burials • Carrying out relevant construction for artistic burial services as well as relevant burial plots according to customers' requirements from time to time • Upgraded for the greening appearance of main entrance of the cemetery is underway • Upgraded the main entrance area and roads and passages of the western part of the cemetery

Objects	Implementation plan of 2021	Actual Business Progress up to the 30 June 2021
	<ul style="list-style-type: none"> • Designing and constructing landscaping elements in the cemetery to enhance the cemetery environment • Upgrading the existing burial areas environment construction and greening management, and adding green plants and decorations along the landscape of tomb selection and visit • Beautifying the surrounding areas of the artificial hill • Building waterscape with Chinese traditional cultural elements • Conducting regular inspection of the burial plots • Building a platform to conduct public memorial ceremonies 	<ul style="list-style-type: none"> • Completed the gardening and building of the landscape connecting different sectioned burial areas • Started the environment construction and greening management, and adding green plants along the landscape of the cemetery • Upgraded the infrared facilities on the west side of Block C, Block D and Block E • Conducted fire inspection of all five burial plots and the buildings structure inspection and acceptance • Designed memorial for the body donors

Objects	Implementation plan of 2021	Actual Business Progress up to the 30 June 2021
(ii) Acquisition of additional facilities and vehicles	<ul style="list-style-type: none"> • Continue to develop and complete the construction of the entire Pine Garden with more burial plots available for sale • Developing Langfang Garden according to the market demand, and considering to rename Langfang Garden • Continue to develop and beautify artistic burial areas • Purchasing a vehicle for the daily operation of the cemetery and machineries (such as lawn movers and other machinery and equipment) according to the development of the cemetery 	<ul style="list-style-type: none"> • Renamed Rose Garden to Pine Garden and sectioned more areas in the cemetery for further development of burial plots. The design of Pine Garden had been completed and the construction is in progress. Part of the burial plots in Pine Garden are already launched for sale • Artistic burial areas are under continuous development • Purchased lawn mowers, sprinkler truck, and purchased and upgraded incinerators • Purchased new equipment and constructed new facilities, such as electricity system and water wells
(iii) Provide additional burial services	<ul style="list-style-type: none"> • Providing additional burial services according to the necessity of Langfang area and continuing to provide columbarium storage services 	<ul style="list-style-type: none"> • Provided columbarium storage services at Beijing New Airport Zone (Langfang Region) • Provided a euphoria hall for the reconstructed urban village in the old town of Langfang

Objects	Implementation plan of 2021	Actual Business Progress up to the 30 June 2021
	<ul style="list-style-type: none"> Undertaking multiple relocation burial projects in the village streets of New Airport Zone and increasing the columbarium storage services in the village streets 	

EXPANDING THE BUSINESS SCOPE OF THE GROUP TO PROVIDE FUNERAL SERVICES

Objects	Implementation plan of 2021	Actual Business Progress up to the 30 June 2021
<p>(i) Locating, leasing, designing and constructing premises for the operation of funeral services center and funeral services store in the living community</p>	<ul style="list-style-type: none"> Communicating with local government and civil affairs bureau to discuss the cooperation plan of the new funeral parlor to be established, a further implementation plan will be expected by the end of 2021 	<ul style="list-style-type: none"> Due to the epidemic situation, the Langfang government has restricted the gatherings policy, which restricts and delays the use and promotion of funeral services of the Group, such as funeral hall services. The relevant promotions and plans are subject to the latest government notification and the epidemic situation before further implementation
<p>(ii) Recruiting and training staff for provision of funeral services</p>	<ul style="list-style-type: none"> According to demand from business development, recruiting and training more staff for funeral services center and newly-established funeral services store 	<ul style="list-style-type: none"> 10 people including the manager of the funeral services center have been recruited and over 10 people have been provided with training
<p>(iii) Purchasing vehicles for funeral rituals and other business operation</p>	<ul style="list-style-type: none"> Purchasing additional vehicle for business operation 	<ul style="list-style-type: none"> A funeral vehicle and two electric vehicles have been purchased

Objects	Implementation plan of 2021	Actual Business Progress up to the 30 June 2021
(iv) Conducting marketing activities for the Group’s funeral services via mass media (such as newspapers)	<ul style="list-style-type: none"> • Continuing to promote online “Cloud tomb sweeping” services and providing tomb sweeping services on behalf of customers, such as wreath placing ceremony on behalf of customers • Increasing the publicity and promotion efforts, making more use of online sales platforms and combining the funeral service needs of our upcoming new funeral service center to move with time • Expanding cooperation with those Beijing-based funeral services providers and mortuaries, and carrying out marketing activities 	<ul style="list-style-type: none"> • Promoting online “Cloud tomb sweeping” services and providing tomb sweeping services on behalf of customers has started, such as the memorial service and online shop to buy tomb sweeping products

TAPPING FURTHER INTO THE BURIAL MARKET IN THE JING-JIN-JI MEGALOPOLIS & PURSUING STRATEGIC ALLIANCE AND ACQUISITION OPPORTUNITIES

Objects	Implementation plan of 2021	Actual Business Progress up to the 30 June 2021
(i) Liaising and cooperating with more Beijing-based funeral services providers and mortuaries	<ul style="list-style-type: none"> • Expanding cooperation with those Beijing-based funeral services providers and mortuaries • Carrying out marketing activities, including sales referrals and giving out leaflets to increase brand awareness in Beijing • Leveraging the Group's first store in Beijing to extend cooperation with funeral services providers in other cities in the Jing-Jin-Ji megalopolis • Continue to develop the Group's brand through its network with other funeral services providers in the Jing-Jin-Ji megalopolis 	<ul style="list-style-type: none"> • The Group has liaised and started cooperation with ten Beijing-based funeral services providers and one hospital mortuary, while further marketing activities are delayed and suspended due to the effect of the epidemic • The Group is also negotiating with other potential partners
(ii) Establishing the first Beijing-based store for marketing purpose	<ul style="list-style-type: none"> • Continue to seek suitable sites in Beijing and expand to other cities in the Jing-Jin-Ji megalopolis for setting up more stores for promoting the Group's brand and services 	<ul style="list-style-type: none"> • Not set up yet

Objects	Implementation plan of 2021	Actual Business Progress up to the 30 June 2021
(iii) Selecting potential targets for acquisition and conducting acquisition	<ul style="list-style-type: none"> • Continuing to actively develop the Cemetery JV Project. A contract will be signed with the planning company, and further arrange the land acquisition process and procedures and the construction and planning plan of the project • Seeking suitable strategic alliances and acquisition opportunities proactively, completing such acquisition, forming strategic alliance with suitable partners, and making relevant investment into the cooperation 	<ul style="list-style-type: none"> • Started the planning of the cemetery, and actively to communicate with relevant government departments to fasten the progress of work

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the GEM Listing, after deducting listing related expenses, were approximately HK\$43.6 million (equivalent to approximately RMB36.4 million), of which approximately RMB19.8 million was unutilised as at 1 January 2021. The following table sets forth a breakdown of the Group's use of proceeds up to 30 June 2021:

	Proposed use of net proceeds as stated in the Prospectus ^{Note} <i>RMB</i>	Unutilised net proceeds as at 1 January 2021 <i>RMB</i>	Actual use of proceeds used during the period <i>RMB</i>	Actual use of net proceeds up to 30 June 2021 <i>RMB</i>	Unutilized net proceeds as at 30 June 2021 <i>RMB</i>	Expected Timeline for the utilization of the unutilized net proceeds
Strengthening market position in Langfang	14.6 million	1.3 million	1.3 million	14.6 million	—	—
Expanding business scope of the Group to provide funeral services	9.1 million	7.6 million	0.5 million	2.0 million	7.1 million	By 31 December 2021
Tapping further into the burial market in the Jing-Jin-Ji megalopolis & pursuing strategic alliance and acquisition opportunities	12.7 million	10.9 million	0.5 million	2.3 million	10.4 million	By 31 December 2021
Total	<u>36.4 million</u>	<u>19.8 million</u>	<u>2.3 million</u>	<u>18.9 million</u>	<u>17.5 million</u>	

Note:

Figures in this column are adjusted based on the actual amount of net proceeds received from the GEM Listing. The difference between the actual amount of net proceeds received and the expected amount disclosed in the Prospectus was allocated on a pro rata basis with reference to the percentage of allocation set out in the Prospectus.

As at 30 June 2021, the net proceeds of approximately RMB17.5 million have not been utilized and are held by the Company in short-term deposits with licensed banks in Hong Kong.

Updated information on the use of the Net Proceeds

Details on the use of the Net Proceeds since the GEM listing until end of 2020 were set out in the 2020 annual report.

During the current Period, the expansion of business scope to provide extensive funeral services and tapping further into the burial market in the Jing-Jin-Ji megalopolis and pursuing strategic alliance and acquisition opportunities are still the major development plan, despite delayed due to the impact on COVID-19. For the Net Proceeds reserved for the pursuing strategic alliance and acquisition opportunities, we expect to utilize all the funds in the second half of 2021 as funds will be invested in the Cemetery JV Project.

FOREIGN EXCHANGE EXPOSURE

The Group's business is principally denominated in RMB. As certain bank deposits denominated in Hong Kong dollars, therefore, the Group is exposed to foreign currency exchange risk. No currency hedging arrangement has been made by the Group during the period. The Directors are actively and regularly monitoring the exposure to foreign exchange so as to minimize the foreign exchange rate risk.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 30 June 2021, the Group did not have any material contingent liabilities.

As at 30 June 2021, the Group did not have capital commitments in respect of expenditure in cemetery assets (2020: RMB0.6 million).

EVENTS AFTER THE REPORTING PERIOD

- (a) On 7 May 2021, the Company entered into the loan agreement with China VAST Industrial Urban Development Company Limited ("China VAST") (the "Loan Agreement"). Pursuant to the Loan Agreement, the Company had conditionally agreed to provide a loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to China VAST for a term of one year at an interest rate of 12% per annum. Ms. Zhao Ying is the controlling shareholder of both the Company and China VAST and accordingly, China VAST was regarded as a related party and a connected person of the Company pursuant to the Listing Rules. The Loan Agreement and the Loan contemplated thereunder constituted a major and connected transaction of the Company. The Loan has been drawn down on 2 July 2021.
- (b) Subsequent to the period end, Guangyang district government entrusted Baijiawu Office (白家務辦事處) to take lead in demolition and coordination works in the initial stage of the cemetery project located in Langfang relocation and settlement zone, Beijing. Accordingly, the Group requested to terminate the service agreement with a third party company and an amount of RMB30 million prepaid to the third party company was refunded to the Group on 11 August 2021. Further details are set out in note 14 to these financial statements.

CONNECTED TRANSACTION — ADVANCEMENT OF LOAN TO CHINA VAST

The Company as lender and China VAST Industrial Urban Development Company Limited (中國宏泰產業市鎮發展有限公司) (“China VAST”) as borrower entered into a loan agreement on 7 May 2021, pursuant to which the Company has agreed to provide a loan (the “Loan”) in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to China VAST for a term of one year at an interest rate of 12% per annum. The Loan was unsecured but had the benefit of a guarantee provided by Profit East Limited (利東有限公司) as guarantor. For further details in relation to the Loan, please refer to the circular of the Company dated 4 June 2021. Ms. Zhao Ying is a controlling shareholder of both the Company and China VAST. Accordingly, China VAST is a connected person of the Company under Chapter 14A of the Listing Rules. The Loan Agreement and transactions contemplated thereunder were passed by the independent shareholders at the extraordinary general meeting of the Company held on 24 June 2021. The Loan was drawn by and advanced to China VAST on 2 July 2021.

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION OF THE DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2021, the interests and short positions of each of the Directors and chief executive and their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to Appendix 10 of the Listing Rules, were as follows:

Name of the Director	Capacity/nature of interests	Number and class of Securities	Percentage of Shareholding (Note 3)
Ms. Zhao Ying (Note 2)	Founder of a discretionary trust who can influence how the trustee exercises its discretion	700,000,000 (L) (Note 1)	70% (Note 3)

Notes:

(1) The letter “L” refers to the long position of the Shares.

- (2) Ms. Zhao Ying is the chairman and a non-executive director of the Company. She is the settlor, sole member of The Hope Trust's protective committee and a beneficiary of The Hope Trust, which is a discretionary trust with TMF (Cayman) Ltd. as trustee. TMF (Cayman) Ltd. wholly owns the entire share capital of Lily Charm Holding Limited. Lily Charm Holding Limited wholly owns the entire issued share capital of Tai Shing International Investment Company Limited. Therefore, Ms. Zhao Ying is deemed to be interested in the 700,000,000 Shares directly held by Tai Shing International Investment Company Limited under Part XV of the SFO.
- (3) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying Shares and 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 Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, so far as was known to the Directors, the following persons/entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name of Shareholder	Capacity/nature of interests	Number and class of Securities <i>(Note 1)</i>	Percentage of Shareholding <i>(Note 5)</i>
Tai Shing International Investment Company Limited	Beneficial owner <i>(Note 2)</i>	700,000,000 (L)	70%
Lily Charm Holding Limited	Interest in a controlled corporation <i>(Notes 2, 3)</i>	700,000,000 (L)	70%
TMF (Cayman) Ltd.	Trustee <i>(Notes 2, 3, 4)</i>	700,000,000 (L)	70%

Notes:

- (1) The letter “L” refers to the entity/person’s long position in the Shares.
- (2) Tai Shing International Investment Company Limited directly holds 700,000,000 Shares of the Company.
- (3) Lily Charm Holding Limited holds the entire of issued share capital of Tai Shing International Investment Company Limited, thus Lily Charm Holding Limited is deemed to be interested in the 700,000,000 Shares of the Company.
- (4) TMF (Cayman) Ltd. is the trustee of The Hope Trust, which is a discretionary trust set up by Ms. Zhao Ying, the chairman and a non-executive Director of the Company. TMF (Cayman) Ltd. directly holds the entire issued share capital of Lily Charm Holding Limited. Therefore, TMF is deemed to be interested in 700,000,000 Shares of the Company under Part XV of the SFO.
- (5) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other persons, except disclosed below under “Other persons’ interests and short positions in the Shares and underlying Shares of the Company” other than the Directors and chief executive of the Company who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debenture of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO; or who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, so far as was known to the Directors, the following persons/entities (not being Directors, chief executive or substantial shareholders of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholders	Capacity/nature of interests	Number and class of Securities (Note 1)	Percentage of Shareholding (Note 3)
Fairich Trading Limited	Beneficial owner	87,650,000 (L)	8.8%
Ms. Xing Junying	Interest in a controlled corporation (Note 2)	87,650,000 (L)	8.8%

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Fairich Trading Limited is directly wholly owned by Ms. Xing Junying.
- (3) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, the Directors are not aware of any other person or corporation other than the Directors, the chief executive and substantial shareholders of the Company who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debenture of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASES, SALE OR REDEMPTION OF COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Period and up to the date of this announcement.

DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTEREST IN COMPETING INTERESTS OR CONFLICT OF INTEREST

Ms. Zhao Ying, The Hope Trust, Lily Charm Holding Limited, Tai Shing International Investment Company Limited, individually and collectively as the controlling shareholder(s) (the “Controlling Shareholder(s)”) (as defined under the Listing Rules) of the Company, has entered into the deed of non-competition dated 5 December 2019 (the “Deed of Non-competition”) in favor of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the Controlling Shareholders have irrevocably undertaken to the Company that they will not and will procure their respective close associate (except any member of the Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may

compete directly or indirectly with the core business of the Group, being burial service business and funeral services that the Group plans to expand into or own any rights or interests in such businesses.

During the Period, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders and their respective associates (as defined in the Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

The Controlling Shareholders have confirmed to the Company that from the effective date of the Deed of the Non-competition and up to the date of this announcement, Ms. Zhao Ying, The Hope Trust, Lily Charm Holding Limited, Tai Shing International Investment Company Limited and their respective close associates (as defined under the Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Appendix 10 of the Listing Rules on terms no less exacting than the required standard of dealings. Having made specific enquiries of the Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Period.

CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve accountability. In the opinion of the Board, the Company has applied the principles and complied with all the applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "Corporate Governance Code") during the Period.

AUDIT COMMITTEE

The Company established the audit committee (the “Audit Committee”) with written terms of reference in accordance with Rules 3.22 of the Listing Rules and paragraphs C.3.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, making recommendations to the Board on the appointment and removal of external auditors, reviewing the financial information and disclosures, to oversee the audit process, to develop and review the policies and to perform other duties and responsibilities as assigned by the Board. The Audit Committee consists of three independent non-executive Directors, namely Dr. Wong Wing Kuen Albert, Mr. Cheung Ying Kwan and Mr. Choi Hon Keung Simon. Dr. Wong Wing Kuen Albert is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period, which is of the opinion that such statements comply with the applicable accounting standards, the Exchange and legal requirements, and that adequate disclosures have been made.

By order of the Board
China Wan Tong Yuan (Holdings) Limited
Zhao Ying
Chairman

Hong Kong, 11 August 2021

As at the date of this announcement, the Board of the Company comprises the chairman and non-executive Director of the Company, namely Ms. Zhao Ying, three executive Directors of the Company, namely Ms. Li Xingying, Ms. Wang Wei and Mr. Huang Peikun, and three independent non-executive Directors of the Company, namely Mr. Cheung Ying Kwan, Dr. Wong Wing Kuen Albert and Mr. Choi Hon Keung Simon.