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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 2020**

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 2020 (the “Period”), together with the unaudited comparative figures for the corresponding period in 2019 as follows:

FINANCIAL HIGHLIGHTS

The unaudited revenue of the Group amounted to approximately RMB19,096,000 (six months ended 30 June 2019: RMB18,803,000) for the Half-Yearly Period which represented an increase of RMB293,000 or 1.6% as compared with the corresponding period in 2019.

The profit attributable to owners of the Company was RMB8,654,000 (six months ended 30 June 2019: RMB5,078,000) for the Half-Yearly Period, which represented an increase of RMB3,576,000 or 70.4% as compared with the same period last year.

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

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

For the six months ended 30 June 2020

	<i>Notes</i>	Six months ended	
		2020	2019
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	19,096	18,803
Cost of sales and services		(3,177)	(3,355)
Gross profit		15,919	15,448
Other income	5	2,287	3,951
Other gains	6	1,025	152
Loss on fair value changes of financial assets at fair value through profit or loss	13	(440)	(528)
Gain on fair value changes of investment properties	11	60	250
Distribution and selling expenses		(3,349)	(3,213)
Administrative expenses		(3,851)	(8,337)
Finance costs		(42)	—
Profit before tax	7	11,609	7,723
Income tax expense	8	(2,955)	(2,645)
Profit and total comprehensive income for the period attributable to owners of the Company		<u>8,654</u>	<u>5,078</u>
Earnings per share			
Basic (RMB cents)	9	<u>0.9</u>	<u>0.5</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		At 30 June 2020	At 31 December 2019
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment		2,771	3,110
Right-of-use assets		910	—
Investment properties	11	6,070	6,010
Cemetery assets	12	8,346	8,333
Financial assets at fair value through profit or loss	13	8,160	8,600
Other non-current assets		192	—
		26,449	26,053
Current assets			
Inventories		18,705	19,273
Prepayments and other receivables		1,214	738
Restricted bank deposits		1,600	—
Bank balances and cash		197,473	189,280
		218,992	209,291
Current liabilities			
Trade and other payables	14	11,032	13,409
Lease liabilities		618	—
Contract liabilities	15	8,060	7,687
Income tax payable		1,360	1,464
		21,070	22,560
Net current assets		197,922	186,731
Total assets less current liabilities		224,371	212,784

		At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Non-current liabilities			
Lease liabilities		349	—
Contract liabilities	15	60,871	58,192
Deferred tax liabilities		2,016	2,111
		<u>63,236</u>	<u>60,303</u>
Net assets		<u>161,135</u>	<u>152,481</u>
Capital and reserves			
Share capital	16	66,192	66,192
Reserves		94,943	86,289
		<u>161,135</u>	<u>152,481</u>
Equity attributable to owners of the Company		<u>161,135</u>	<u>152,481</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company				Total <i>RMB'000</i>
	Share capital	Statutory surplus reserve	Other reserve	Retained earnings	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
At 1 January 2019 (audited)	66,192	6,766	1,309	54,663	128,930
Profit and total comprehensive income for the period	—	—	—	5,078	5,078
Transfer to statutory surplus reserve	—	871	—	(871)	—
At 30 June 2019 (unaudited)	<u>66,192</u>	<u>7,637</u>	<u>1,309</u>	<u>58,870</u>	<u>134,008</u>
At 1 January 2020 (audited)	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 (unaudited)	<u>66,192</u>	<u>10,736</u>	<u>1,309</u>	<u>82,898</u>	<u>161,135</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	<u>7,037</u>	<u>(7,509)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(82)	(6)
Interest received	1,367	1,056
Dividend income received from financial assets at fair value through profit or loss	800	800
Placement of restricted bank deposits	<u>(1,600)</u>	<u>—</u>
Net cash generated from investing activities	<u>485</u>	<u>1,850</u>
FINANCING ACTIVITIES		
Interest paid	(42)	—
Repayments of leases liabilities	<u>(183)</u>	<u>—</u>
Net cash used in financing activities	<u>(225)</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents	7,297	(5,659)
Cash and cash equivalents at the beginning of period	189,280	191,412
Effect of foreign exchange rate changes	<u>896</u>	<u>—</u>
Cash and cash equivalents at the end of period represented by bank balances and cash	<u><u>197,473</u></u>	<u><u>185,753</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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”) since 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 2020 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 (“Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties 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 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and 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 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments to IAS 1 and IAS 8 “Definition of Material”

The amendments provides a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

In addition, the Group has applied the following accounting policies, which became relevant to the Group in the current interim period.

Leases

The Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that directly related to cemetery in cemetery assets and transfer to inventory upon commencement of development.

The Group presents right-of-use assets that do not meet the definition of investment property and cemetery assets or inventory as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 “*Financial Instruments*” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the condensed consolidated statement of financial position.

4. REVENUE AND SEGMENT INFORMATION

4.1 Disaggregation of revenue

	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)
Types of goods and service		
Sales of burial plots	13,730	—
Sales of columbarium units	1,682	—
Provision of other burial-related services	1,723	—
Provision of cemetery maintenance services	—	1,961
	<hr/>	<hr/>
Total	17,135	1,961
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
A point in time	15,412	—
Over time	1,723	1,961
	<hr/>	<hr/>
Total	17,135	1,961
	<hr/> <hr/>	<hr/> <hr/>

For the six months ended
30 June 2019

	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)
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Types of goods and service

Sales of burial plots	15,550	—
Provision of other burial-related services	1,528	—
Provision of cemetery maintenance services	—	1,725
	17,078	1,725
Total	17,078	1,725

Timing of revenue recognition

A point in time	15,550	—
Over time	1,528	1,725
	17,078	1,725
Total	17,078	1,725

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”), Mr. Huang Guangming and Mr. Yu Minghua (resigned on 31 March 2020), the deputy general manager of Langfang Wantong (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 2020 (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>17,135</u>	<u>1,961</u>	<u>19,096</u>
Segment results	<u>14,109</u>	<u>1,810</u>	<u>15,919</u>
Other income			2,287
Other gains			1,025
Loss on fair value changes of financial assets at fair value through profit or loss (“FVTPL”)			(440)
Gain on fair value changes of investment properties			60
Distribution and selling expenses			(3,349)
Administrative expenses			(3,851)
Finance costs			<u>(42)</u>
Profit before tax			<u><u>11,609</u></u>

For the six months ended 30 June 2019 (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	17,078	1,725	18,803
Segment results	13,962	1,486	15,448
Other income			3,951
Other gains			152
Loss on fair value changes of financial assets at FVTPL			(528)
Gain on fair value changes of investment properties			250
Distribution and selling expenses			(3,213)
Administrative expenses			(8,337)
Profit before tax			<u>7,723</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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest income on bank deposits	1,367	1,056
Dividend income from financial assets at FVTPL	800	800
Government grant	25	2,000
Rental income	95	95
	<u>2,287</u>	<u>3,951</u>

6. OTHER GAINS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Foreign exchange gains, net	<u>1,025</u>	<u>152</u>

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	421	387
Depreciation of right-of-use assets	240	—
Amortisation of cemetery assets (included in cost of sales and services)	<u>188</u>	<u>186</u>
Total depreciation and amortisation	<u>849</u>	<u>573</u>
Cost of inventories recognised as an expense	<u>2,285</u>	<u>2,114</u>
Staff costs, including Directors' remuneration:		
Salaries, wages and other benefits	2,927	3,089
Retirement benefits scheme contributions	<u>33</u>	<u>227</u>
Total staff costs	<u>2,960</u>	<u>3,316</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current enterprise income tax	3,050	2,715
Deferred tax	<u>(95)</u>	<u>(70)</u>
	<u>2,955</u>	<u>2,645</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	
	2020	2019
	<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>8,654</u>	<u>5,078</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 2019: nil).

11. INVESTMENT PROPERTIES

	<i>RMB'000</i>
Fair value	
At 31 December 2019 (audited)	6,010
Gain on fair value changes of investment properties	<u>60</u>
At 30 June 2020 (unaudited)	<u>6,070</u>

The fair values of the Group’s investment properties as at 30 June 2020 and 31 December 2019 were arrived at on the basis of valuation carried out 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 properties are 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 properties.

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

12. CEMETERY ASSETS

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Land costs	4,172	4,300
Landscape facilities	3,765	3,617
Development costs	409	416
	<u>8,346</u>	<u>8,333</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Unlisted investments	<u>8,160</u>	<u>8,600</u>

At 31 December 2019 and 30 June 2020, the Group has 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 2020, the amount of loss on fair value changes of financial assets at FVTPL of RMB440,000 (six months ended 30 June 2019: RMB528,000) was charged to profit or loss.

The fair value of the investment was arrived at on the basis of valuation carried out by Vigers Appraisal & Consulting Limited (six months ended 30 June 2019: Savills Valuation and Professional Services Ltd.), 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 2020 (unaudited) RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL	8,160	Level 3	Market approach: based on the target companies' financial performance and the multiples of comparable companies	P/B ratio: 0.78 (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 RMB408,000 (2019: RMB430,000).

14. TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Trade payables	1,855	2,180
Accrued expenses	9,177	11,229
	<u>11,032</u>	<u>13,409</u>

The following is an aged analysis of trade payables based on the invoice date at 30 June 2020 and 31 December 2019:

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Within 1 year	1,726	2,041
1 to 2 years	23	51
2 to 3 years	18	—
Over 3 years	88	88
	<u>1,855</u>	<u>2,180</u>

15. 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 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Carrying amount analysed as:		
Amounts shown under current liabilities	8,060	7,687
Amounts shown under non-current liabilities	<u>60,871</u>	<u>58,192</u>
	<u><u>68,931</u></u>	<u><u>65,879</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 2020, the Group generated revenue from the provision of cemetery maintenance services in the amount of approximately RMB1,961,000 (six months ended 30 June 2019: RMB1,725,000).

16. SHARE CAPITAL

	Number of shares	<i>RMB'000</i>
Ordinary shares of United States Dollar (“US\$”) 0.01 each Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020	<u>3,000,000,000</u>	<u>205,984</u>
Issue and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020	<u>1,000,000,000</u>	<u>66,192</u>

17. OPERATING LEASE COMMITMENTS

The Group as lessor

The investment properties held by the Group for rental purpose have 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 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Within one year	<u>200</u>	<u>200</u>

18. OTHER COMMITMENTS

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Contracted but not provided for in the condensed consolidated financial statements: — Expenditure in respect of cemetery assets	<u>550</u>	<u>348</u>

19. 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	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Salaries and other benefits	443	474
Contribution to retirement benefit scheme	5	22
Discretionary performance-related bonus	<u>186</u>	<u>206</u>
	<u>634</u>	<u>702</u>

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Except for the financial assets at FVTPL disclosed in note 13, there are no other financial instrument 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.

21. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the interim period, on 6 July 2020, Langfang Wantong, a subsidiary of the Company, entered into an agreement with 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”) to set up a company (the “New Company”) with a registered capital of RMB30.0 million. Each of Langfang Wantong and Xinhangcheng will contribute RMB23.7 million and RMB6.3 million to the New Company as the registered capital in the proportion of 79% and 21%, respectively, and this transaction constituted a major transaction of the Company under Chapter 14 of the Listing Rules. The New Company was set up on 31 July 2020, as the Group holds the majority of the equity interests and is able to exercise control over the New Company, the New Company becomes a non-wholly owned subsidiary of the Company. The New Company is to be involved in the land resumption compensation, investment, construction, operations and management of the new cemetery project located in Langfang relocation and settlement zone, Beijing. In addition, according to the agreement, Langfang Wantong has paid a sum of RMB8.0 million to Xinhangcheng in July as a refundable guarantee deposit for this project (should there be no breach on the part of Langfang Wantong before the official commencement of operation of the cemetery, Xinhangcheng shall within 90 days therefrom refund the guarantee deposit to Langfang Wantong (without interest)). Further, Langfang Wantong is required to pay a sum of RMB30.0 million to the New Company as a shareholder’s loan for the purpose of settlement of land resumption compensation, which bears interest at a fixed rate of 6.9% per annum.

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 89.7% of its revenue for the six months ended 30 June 2020 (2019: 90.8%). 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 RMB1,961,000 for the six months ended 30 June 2020 (2019: RMB1,725,000).

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 1.6% from RMB18.8 million for the six months ended 30 June 2019 to RMB19.1 million for the six months ended 30 June 2020, with an increase in the revenue recorded the provision of cemetery maintenance services by RMB0.2 million and a slight increase in revenue from burial services.

Cost of sales and services

The Group's cost of sales and services was approximately RMB3.4 million and RMB3.2 million for the six months ended 30 June 2019 and 30 June 2020 respectively, representing a decrease of 5.3%. With effective cost control, the Group's cost of sales and services for burial services and cemetery maintenance slightly decreased by RMB0.1 million and RMB0.1 million respectively.

The Gross profit and gross profit margin

As a result of the foregoing, the Group gross profit increased by 3.0% from RMB15.4 million for the six months ended 30 June 2019 to RMB15.9 million for the six months ended 30 June 2020. The Group's overall gross profit margin increased from 82.2% for the six months ended 30 June 2019 to 83.4% for the six months ended 30 June 2020.

The Group's gross profit for burial service slightly increased by 1.1% from RMB14.0 million for the six months ended 30 June 2019 to RMB14.1 million for the six months ended 30 June 2020, while the gross profit margin for burial service increased from 81.8% for the six months ended 30 June 2019 to 82.3% for the six months ended 30 June 2020, which is fairly stable.

The gross profit for cemetery maintenance was RMB1.5 million and RMB1.8 million for the six months ended 30 June 2019 and 2020, respectively. The gross profit margin for cemetery maintenance increased from 86.1% for the six months ended 30 June 2019 to 92.3% for the six months ended 30 June 2020, which is considered fairly stable in terms of absolute amount.

Other income

The Group's other income decreased by 42.1% from RMB4.0 million for the six months ended 30 June 2019 to RMB2.3 million for the six months ended 30 June 2020. This decrease was primarily due to the decrease in government grants for the six months ended 30 June 2020 by RMB2.0 million.

Distribution and selling expenses

The Group's distribution and selling expenses increased by 4.2% from RMB3.2 million for the six months ended 30 June 2019 to RMB3.3 million for the six months ended 30 June 2020. This increment was primarily due to increase in (1) salary and staff costs and (2) commission paid to partnered funeral service providers.

Administrative expenses

The Group's administrative expenses decreased by 53.8% from RMB8.3 million for the six months ended 30 June 2019 to RMB3.9 million for the six months ended 30 June 2020. This decrease was primarily due to professional fees and other expenses incurred in 2019 for the application for transfer of listing from GEM to Main Board of the Stock Exchange, which amounted to RMB5.3 million.

Income tax expenses

The Group's income tax expenses increased by 11.7% from RMB2.6 million for the six months ended 30 June 2019 to RMB3.0 million for the six months ended 30 June 2020, primarily due to the increase in net profit.

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 increased by 70.4% from RMB5.1 million for the six months ended 30 June 2019 to RMB8.7 million for the six months ended 30 June 2020. The Group's net profit margin increased from 27.0% for the six months ended 30 June 2019 to 45.3% for the six months ended 30 June 2020, primarily due to the decrease in professional fees and other expenses with the application for transfer of listing from GEM to Main Board of the Stock Exchange of approximately RMB5.3 million in 2019, and partially net off by the decrease in other income due to the decrease in government grants of approximately RMB2.0 million.

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flows. The Group's total equity was RMB161.1 million as at 30 June 2020, compared to RMB152.5 million as at 31 December 2019. Total assets amounted to RMB245.4 million as at 30 June 2020, compared to RMB235.3 million as at 31 December 2019, of which RMB197.5 million (2019: RMB189.3 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 2020 and 31 December 2019.

Gearing ratio

As at 30 June 2020, the gearing ratio of the Group, being total liabilities to total assets, was 34.3% (31 December 2019: 35.2%), which indicates the Group's healthy liquidity position.

Material acquisitions, disposals and significant investments

On 30 June 2020, Langfang Wantong Cemetery Co., Ltd. (廊坊市萬桐公墓有限公司) (“Langfang Wantong”, an indirect wholly-owned subsidiary of the Company) won a bid for a cemetery project (“Cemetery JV Project”), which involves the development of a cemetery in The Beijing Daxing International Airport Economic Zone (北京大興國際機場臨空經濟區) (Langfang Region) the vicinity of Zhanggengsheng Village, Baijiawu Office, Jiuzhou Town, Guangyang District (廣陽區九州鎮白家務辦事處張更生村). On 6 July 2020, Langfang Wantong entered into a joint venture agreement (“JV Agreement”) with Langfang Xinhangcheng Real Estate Development Co., Limited (“Xinhangcheng”, 廊坊市新航城房地產開發有限公司) to set up a joint venture company (“JV Company”) for the Cemetery JV Project.

Further details of the Cemetery JV Project were set out in the announcement of the Company dated 30 June 2020 and 7 July 2020.

Employee information

As at 30 June 2020, the Group had a total of 57 employees (30 June 2019: 58 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 2020, 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 government’s city demolition and transformation plan; and (4) pursuing strategic alliance and acquisition opportunities.

The Group strengthens its market position in Langfang by further development of the Pine Garden and artistic burial areas in its cemetery, upgrading its facilities, 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 Company developed three new columbaria in 2019 and will continue to cooperate and support the government's city demolition and transformation plan.

In the area of pursuing strategic alliance and acquisition opportunities, the Group will be investing in the Cemetery JV Project subsequent to the JV agreement signed on 6 July 2020. The new cemetery to be constructed located strategically at the Beijing Daxing International Airport Economic Zone* (北京大興國際機場臨空經濟區), and is a new engine for the synergic development of the Jing-Jin-Ji region and a new driving force for the high-quality development of Hebei Province. The management believes that the project is an important initiative for the Group to expand its business operations in burial services and funeral services.

The Directors are confident that the Group's core business can be strengthened with its commitment 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 2020 is set out below:

STRENGTHENING THE MARKET POSITION IN LANGFANG

Objects	Implementation plan of 2020	Actual Business Progress up to the 30 June 2020
(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 • Upgrading the burial plots construction 	<ul style="list-style-type: none"> • Designed and started providing flower burial and tree burial services • Designed sea burial services and sculptures for sea burial services and designed wall burials • Designed and constructed the family graves in crypt-style and hill-style • Carrying out relevant construction for artistic burial services as well as relevant burial plots according to customers' requirements from time to time • Upgraded the main entrance area and roads and passages of the western part of the cemetery • Upgraded the infrared facilities on the west side of Block C, Block D and Block E

Objects	Implementation plan of 2020	Actual Business Progress up to the 30 June 2020
	<ul style="list-style-type: none"> • Conducting regular inspection of the burial plots • Beautifying the surrounding areas of the artificial hill • Setting up a cemetery services center • Building waterscape with Chinese traditional cultural elements • Building a platform to conduct public memorial ceremonies • Designing and constructing landscaping elements in the cemetery to enhance the cemetery environment • Continue to develop and complete the construction of the entire Pine Garden with more burial plots available for sale 	<ul style="list-style-type: none"> • Conducted fire inspection of all five burial plots and the buildings structure inspection and acceptance • Designed memorial for the body donors • Completed the gardening and building of the landscape connecting different sectioned burial areas • Upgraded for the greening appearance of main entrance of the cemetery is underway • 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

Objects	Implementation plan of 2020	Actual Business Progress up to the 30 June 2020
(ii) Acquisition of additional facilities and vehicles	<ul style="list-style-type: none"> • Continue to develop and beautify artistic burial areas • Developing Langfang Garden according to the market demand, and considering to rename Langfang Garden • 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"> • Artistic burial areas are under continuous development • Purchased lawn mowers, sprinkler truck, and purchased and installed 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 	<ul style="list-style-type: none"> • Provided ashes storage services for the four villages at Beijing New Airport Zone (Langfang Region) • Provided a euphoria hall for the reconstructed urban village in the old town of Langfang

EXPANDING THE BUSINESS SCOPE OF THE GROUP TO PROVIDE FUNERAL SERVICES

Objects	Implementation plan of 2020	Actual Business Progress up to the 30 June 2020
(i) Locating, leasing, designing and constructing premises for the operation of funeral services center and funeral services store in the living community	<ul style="list-style-type: none"> • Leasing a venue, design and construct the funeral services center • Acquiring equipment relating to the provision of funeral services • Selecting suitable venue for the first funeral services store in Langfang or Beijing, or seeking cooperation with local partners to establish a funeral services store • Communicating with local government and seeking cooperation opportunities with the new funeral parlor to be established 	<ul style="list-style-type: none"> • Due to the epidemic situation, the Langfang government has restricted the gatherings police, 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
(ii) Recruiting and training staff for provision of funeral services	<ul style="list-style-type: none"> • According to demand from business development, recruiting 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
(iii) Purchasing vehicles for funeral rituals and other business operation	<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 2020	Actual Business Progress up to the 30 June 2020
(iv) Conducting marketing activities for the Group’s funeral services via mass media (such as newspapers)	<ul style="list-style-type: none"> • Promoting online tomb sweeping services and providing tomb sweeping services on behalf of customers, such as wreath placing ceremony on behalf of customers • Promoting the funeral services center via mass media • Expanding cooperation with those Beijing-based funeral services providers and mortuaries, and carrying out marketing activities 	<ul style="list-style-type: none"> • Promoting online tomb sweeping services and providing tomb sweeping services has started • Media promotion for the funeral services center has not been carried out yet

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

Objects	Implementation plan of 2020	Actual Business Progress up to the 30 June 2020
(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 eight Beijing-based funeral services providers and one hospital mortuary, while further marketing activities are in progress • The Group is also negotiating with other potential partners

Objects	Implementation plan of 2020	Actual Business Progress up to the 30 June 2020
(ii) Establishing the first Beijing-based store for marketing purpose	<ul style="list-style-type: none"> • Setting up the first store of the Group in Beijing for marketing, together with promotion on the Group’s digital marketing channel • 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
(iii) Selecting potential targets for acquisition and conducting acquisition	<ul style="list-style-type: none"> • 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"> • The Group had successfully won the bid of the Cemetery JV Project on 30 June 2020. A JV Agreement was also formally signed with Xinhangcheng on 6 July 2020. A JV Company will be jointly established and responsible for land resumption, construction and operations and management of the new airport (Langfang area), relocation and settlement zone, Beijing Cemetery JV Project.

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 RMB25.7 million was unutilised as at 1 January 2020. The following table sets forth a breakdown of the Group's use of proceeds up to 30 June 2020:

	Proposed use of net proceeds as stated in the Prospectus^{Note} RMB	Actual use of net proceeds up to 30 June 2020 RMB	Unutilized net proceeds as at 30 June 2020 RMB
Strengthening market position in Langfang	14.6 million	9.9 million	4.7 million
Expanding business scope of the Group to provide funeral services	9.1 million	1.2 million	7.9 million
Tapping further into the burial market in the Jing-Jin-Ji megalopolis & pursuing strategic alliance and acquisition opportunities	12.7 million	1.6 million	11.1 million
	<hr/>	<hr/>	<hr/>
Total	<u>36.4 million</u>	<u>12.7 million</u>	<u>23.7 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 2020, the net proceeds of approximately RMB23.7 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 2019 were set out in the 2019 annual report.

During the current period, the Group had continued to invest in improving roads and passages as well as the greening of the cemetery as well as the development of the Pine Garden and the artistic burial areas. The expansion of business scope to provide extensive funeral services is still a major development plan, despite delayed mainly due to the impact on COVID-19, as the government had been imposing measures to avoid social contact during the first quarter and promoting social distancing. 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 2020 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 2020, the Group did not have any material contingent liabilities.

As at 30 June 2020, the Group had capital commitments in respect of expenditure in cemetery assets of approximately RMB0.6 million (2019: RMB0.3 million).

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the interim period, on 6 July 2020, Langfang Wantong, a subsidiary of the Company, entered into an agreement with 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") to set up a company (the "New Company") with a registered capital of RMB30.0 million. Each of Langfang Wantong and Xinhangcheng will contribute RMB23.7 million and RMB6.3 million to the New Company as the registered capital in the proportion of 79% and 21%, respectively, and this transaction constituted a major transaction of the Company under Chapter 14 of the Listing Rules. The New Company was set up on 31 July 2020, as the Group holds the majority of the equity interests and is able to exercise control over the New Company, the New Company becomes a non-wholly owned subsidiary of the Company. The New Company is to be involved in the land resumption compensation, investment, construction, operations and management of the new cemetery project located in Langfang relocation and settlement zone, Beijing. In addition, according to the agreement, Langfang Wantong has paid a sum of RMB8.0 million to Xinhangcheng in July as a refundable guarantee deposit for this project (should there be no breach on the part of Langfang Wantong before the official commencement of operation of the cemetery, Xinhangcheng shall within 90 days therefrom refund the guarantee deposit to Langfang Wantong (without interest)). Further, Langfang Wantong

is required to pay a sum of RMB30.0 million to the New Company as a shareholder's loan for the purpose of settlement of land resumption compensation, which bears interest at a fixed rate of 6.9% per annum.

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 2020, 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 the 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 and TMF (Cayman) Ltd. is on the trusts of The Hope Trust. 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.
- (3) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 2020, 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 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.
- (5) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 2020, 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 <i>(Note 1)</i>	Percentage of Shareholding <i>(Note 3)</i>
Fairich Trading Limited	Beneficial owner	87,650,000 (L)	8.8%
Ms. Xing Junying	Interest in a controlled corporation <i>(Note 2)</i>	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 2020.

Save as disclosed above, as at 30 June 2020, 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.

Since the date of Listing and up to the date of this announcement, the Directors are not aware of any business or interest of the Directors, the Substantial 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 from the date of listing up to the date of this announcement.

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 from the date of Listing to 30 June 2020.

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, 13 August 2020

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, two executive Directors of the Company, namely Ms. Li Xingying and Mr. Huang Guangming, 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.