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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The board (“Board”) of directors (“Directors”) of China Wan Tong Yuan (Holdings) Limited (the “Company”) hereby presents the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

FINANCIAL HIGHLIGHTS

- The revenue of the Group amounted to approximately RMB56,931,000 for the year ended 31 December 2023 (2022: RMB45,738,000), which represented an increase of RMB11,193,000 or 24.5% as compared with the year of 2022.
- The profit attributable to owners of the Company was RMB17,602,000 for the year ended 31 December 2023 (2022: RMB22,030,000), which represented a decrease of RMB4,428,000 or 20.1% as compared with the year of 2022.
- The Board recommended the payment of a final dividend of HK\$0.01 per share for the year ended 31 December 2023 (2022: nil).

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

For the year ended 31 December 2023

	<i>NOTES</i>	Year ended 31 December	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	56,931	45,738
Cost of sales and services		<u>(9,179)</u>	<u>(11,613)</u>
Gross profit		47,752	34,125
Other income	4	3,524	9,458
Other gains and losses, net	5	579	3,682
Loss on fair value changes of financial assets at fair value through profit or loss		(1,587)	(1,257)
(Loss)/gain on fair value change of investment property		(20)	20
Distribution and selling expenses		(10,865)	(7,798)
Administrative expenses		(12,276)	(9,256)
Other expenses		(877)	(434)
Finance costs		<u>(45)</u>	<u>(22)</u>
Profit before tax	6	26,185	28,518
Income tax expense	7	<u>(8,583)</u>	<u>(6,488)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>17,602</u>	<u>22,030</u>
Earnings per share			
Basic (RMB cents)	8	<u>1.8</u>	<u>2.2</u>

Details of the dividends proposed for the year are disclosed in note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		At 31 December	
		2023	2022
	NOTES	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,925	3,672
Intangible assets		486	232
Investment property		—	6,270
Right-of-use assets		6,669	1,032
Cemetery assets	10	12,177	10,251
Financial assets at fair value through profit or loss		5,322	6,909
Prepayments and other receivables	11	12,270	11,846
Deferred tax assets		244	481
		<u>43,093</u>	<u>40,693</u>
CURRENT ASSETS			
Inventories		21,231	20,005
Trade receivables		548	658
Prepayments and other receivables	11	29,749	29,650
Bank balances and cash		234,986	211,284
		<u>286,514</u>	<u>261,597</u>
CURRENT LIABILITIES			
Trade and other payables	12	12,796	9,656
Lease liabilities		538	502
Contract liabilities	13	7,357	5,915
Income tax payable		543	2,170
		<u>21,234</u>	<u>18,243</u>
NET CURRENT ASSETS		<u>265,280</u>	<u>243,354</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>308,373</u>	<u>284,047</u>

		At 31 December	
		2023	2022
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		—	530
Contract liabilities	13	77,164	70,727
Deferred tax liabilities		3,415	2,598
		<u>80,579</u>	<u>73,855</u>
NET ASSETS		<u>227,794</u>	<u>210,192</u>
CAPITAL AND RESERVES			
Share capital		66,192	66,192
Reserves		161,602	144,000
		<u>227,794</u>	<u>210,192</u>
Equity attributable to owners of the Company		<u>227,794</u>	<u>210,192</u>
TOTAL EQUITY		<u>227,794</u>	<u>210,192</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company				Total RMB'000
	Share capital RMB'000	Statutory surplus reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 1 January 2022	66,192	14,530	1,309	106,131	188,162
Profit and total comprehensive income for the year	—	—	—	22,030	22,030
Transfer to statutory surplus reserve	—	1,898	—	(1,898)	—
At 31 December 2022	66,192	16,428	1,309	126,263	210,192
Profit and total comprehensive income for the year	—	—	—	17,602	17,602
At 31 December 2023	66,192	16,428	1,309	143,865	227,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

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 are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is 2nd Floor, the Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands. The address of its principal place of business is No. 48, Louzhuang Road, Langfang Development Area, Langfang, Hebei Province, the People’s Republic of China (the “PRC”). The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the sale of burial plots and columbarium units, provision of other burial-related services, provision of cemetery maintenance services and provision of funeral services in the PRC. The Company and its subsidiaries are collectively referred to as the “Group”.

The Company’s parent company is Tai Shing International Investment Company Limited, a company incorporated in the British Virgin Islands (the “BVI”) and its ultimate holding company is Lily Charm Holding Limited, a company incorporated in the BVI. Both companies are controlled by Ms. Zhao Ying (“Ms. Zhao”).

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform-Pillar Two Model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two Model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantively enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group’s entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements when the Pillar Two legislation is enacted or substantively enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

The directors of the Company (the “Directors”) anticipate that the application of the new and amendments to IFRSs above will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND OPERATING SEGMENTS

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December 2023			
	Sales of burial plots, provision of tomb relocation and other burial-related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Provision of funeral services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and service				
Sales of burial plots	37,566	—	—	37,566
Provision of other burial-related services	7,611	—	—	7,611
Provision of funeral services	—	—	6,259	6,259
Provision of cemetery maintenance services	—	5,495	—	5,495
Total	<u>45,177</u>	<u>5,495</u>	<u>6,259</u>	<u>56,931</u>
Timing of revenue recognition				
A point in time	37,566	—	6,259	43,825
Over time	7,611	5,495	—	13,106
Total	<u>45,177</u>	<u>5,495</u>	<u>6,259</u>	<u>56,931</u>

	Year ended 31 December 2022		
	Sales of burial plots, provision of tomb relocation and other burial-related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and service			
Sales of burial plots	26,869	—	26,869
Provision of tomb relocation services	7,629	—	7,629
Provision of other burial-related services	6,280	—	6,280
Provision of cemetery maintenance services	—	4,960	4,960
Total	<u>40,778</u>	<u>4,960</u>	<u>45,738</u>
Timing of revenue recognition			
A point in time	34,498	—	34,498
Over time	6,280	4,960	11,240
Total	<u>40,778</u>	<u>4,960</u>	<u>45,738</u>

(ii) Performance obligations for contracts with customers

Sales of burial plots with maintenance services (multiple performance obligations)

For contracts entered into with customers on sales of burial plots, the relevant burial plots specified in the contracts have no alternative use to the Group. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Directors concluded that the Group does not have an enforceable right to payment prior to transfer of the burial plots to customers. Revenue from sales of burial plots is therefore recognised at a point in time when customer obtains control of the burial plot, being at the point that the burial plot is transferred to customer and the payment of the transaction price is due immediately at the point the customer purchases the burial plot.

The cemetery maintenance service is considered to be a distinct service. Transaction price is allocated between sales of burial plots and the maintenance services on a relative stand-alone selling price basis. Revenue relating to the maintenance services is recognised over time. The transaction price allocated to maintenance services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Sales of columbarium units

For contracts entered into with customers on sales of columbarium units, the relevant columbarium units specified in the contracts have no alternative use to the Group. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Directors concluded that the Group does not have an enforceable right to payment prior to transfer of the columbarium units to customers. Revenue from sales of columbarium units is therefore recognised at a point in time when customer obtains control of the columbarium unit, being at the point that the columbarium units is transferred to customers and the payment of the transaction price is due immediately at the point the customer purchases the columbarium units. The Group did not have any sale of columbarium units during the years presented.

Provision of tomb relocation services

The Group provided tomb relocation services and according to the general terms of the agreement, the Group concluded that the Group does not have an enforceable right to payment prior to the proper relocation of all tombs as requested in the agreement. Accordingly, revenue from provision of tomb relocation services is recognised at a point in time when all tombs have been properly relocated and accepted by the customer.

Provision of other burial-related services

Other burial-related services represented revenues from miscellaneous services such as the organisation, provision of temporary storage service for cremated remains and conducting of burial rituals, the design and landscaping of the burial sites, additional engraving fees. Revenue relating to these burial-related services is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Provision of funeral services

Funeral services represented revenues from one-stop-shop services such as the organisation and conducting of funeral services. Revenue relating to these funeral services is recognised at a point in time when the services have been provided and accepted by the customer, and the payment of the transaction price is due immediately at the point the customer purchase the services.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and the expected timing of recognising revenue are as follows:

	Provision of cemetery maintenance services RMB'000	Provision of other burial- related services RMB'000	Total RMB'000
Within one year/on demand	5,840	1,517	7,357
More than one year but not more than two years	6,036	328	6,364
More than two years	70,800	—	70,800
	82,676	1,845	84,521

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognising revenue are as follows:

	Provision of cemetery maintenance services RMB'000	Provision of other burial- related services RMB'000	Total RMB'000
Within one year/on demand	5,355	560	5,915
More than one year but not more than two years	5,492	185	5,677
More than two years	65,050	—	65,050
	75,897	745	76,642

(iv) Operating segments

The Group determines its operating segments based on the reports reviewed by executive directors of the Company, being the chief operating decision makers (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 reportable segments are (i) sales of burial plots, columbarium units and provision of tomb relocation and other burial-related services; (ii) provision of cemetery maintenance services; and (iii) provision of funeral services in the PRC.

Segment revenue and results

Year ended 31 December 2023

	Sales of burial plots, provision of tomb relocation and other burial- related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Provision of funeral services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>45,177</u>	<u>5,495</u>	<u>6,259</u>	<u>56,931</u>
Segment results	38,691	4,764	4,297	<u>47,752</u>
Other income				3,524
Other gains and losses, net				579
Loss on fair value change of investment property				(20)
Loss on fair value changes of financial assets at FVTPL				(1,587)
Distribution and selling expenses				(10,865)
Administrative expenses				(12,276)
Other expenses				(877)
Finance costs				<u>(45)</u>
Profit before tax				<u><u>26,185</u></u>

Year ended 31 December 2022

	Sales of burial plots, provision of tomb relocation and other burial-related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	40,778	4,960	45,738
Segment results	29,637	4,488	34,125
Other income			9,458
Other gains and losses, net			3,682
Gain on fair value change of investment property			20
Loss on fair value changes of financial assets at FVTPL			(1,257)
Distribution and selling expenses			(7,798)
Administrative expenses			(9,256)
Other expenses			(434)
Finance costs			(22)
Profit before tax			<u>28,518</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment results represent the gross profit attributable to each segment without allocation of other income, other gains and losses, loss on fair value changes of financial assets at FVTPL, (loss)/gain on fair value change of investment property, distribution and selling expenses, administrative expenses, other expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. There was no inter-segment revenue during the current and prior years. No analysis of segment assets and liabilities is presented as it is not regularly reviewed by the CODM.

Geographical information

All of the Group's revenue is generated from sale of burial plots, columbarium units and provision of tomb relocation and other burial-related services, provision of cemetery maintenance services and provision of funeral services in 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. Therefore, no geographical information is presented.

Information about major customers

No single customer accounted for 10% or more of the Group's revenue for the current year. Revenue from provision of tomb relocation services in the amount of RMB7,629,000 from a single customer accounted for over 10% of the Group's revenue for the year ended 31 December 2022.

4. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest income on bank deposits	1,281	720
Imputed interest income on interest-free advance payment and deposit paid	2,220	2,214
Dividend income from financial assets at FVTPL	—	700
Rental income	—	190
Interest income on amounts due from related parties	—	5,634
Others	23	—
	<u>3,524</u>	<u>9,458</u>

5. OTHER GAINS AND LOSSES, NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Foreign exchange gains, net	579	3,596
Others	—	86
	<u>579</u>	<u>3,682</u>

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Auditors' remuneration	1,050	1,050
Depreciation of property, plant and equipment	1,379	967
Depreciation of right-of-use assets	613	701
Amortisation of intangible assets	336	15
Amortisation of cemetery assets (included in cost of sales and services)	647	574
Total depreciation and amortisation	<u>2,975</u>	<u>2,257</u>
Cost of inventories recognised as an expense	4,347	3,864
Staff costs, including directors' remuneration:		
Salaries, wages and other benefits	10,303	7,477
Retirement benefit scheme contributions	726	593
Total staff costs	<u>11,029</u>	<u>8,070</u>

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current enterprise income tax	7,529	6,778
Under provision in respect of prior year	—	35
Deferred tax	1,054	(325)
	<u>8,583</u>	<u>6,488</u>

Income tax expense for the year can be reconciled to profit before tax as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>26,185</u>	<u>28,518</u>
Tax at the applicable tax rate of 25%	6,546	7,130
Tax effect of expenses not deductible for tax purpose	956	282
Tax effect of income not taxable for tax purpose	(237)	(1,081)
Under provision in respect of prior year	—	35
Withholding tax on retained profits to be distributed	600	—
Tax effect of tax losses not recognized	719	519
Utilisation of tax losses previously not recognised	(1)	(397)
Income tax expense	<u>8,583</u>	<u>6,488</u>

Note:

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate applicable to the PRC subsidiaries is 25%.

No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from, Hong Kong.

8. 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:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	<u>17,602</u>	<u>22,030</u>
Numbers of shares:		
Numbers 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 for the year ended 31 December 2023 and 2022 were presented as there were no potential ordinary shares in issue for both years.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2023 (2022: nil).

After the end of the reporting period, the Board has recommended a final dividend of HK\$0.01 per share (equivalent to approximately RMB0.009 per share) for the year ended 31 December 2023, and is subject to approval by the shareholders in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability in the consolidated financial statements.

10. CEMETERY ASSETS

	Leasehold land <i>RMB'000</i>	Landscape facilities <i>RMB'000</i>	Development costs <i>RMB'000</i>	Total <i>RMB'000</i>
Cost				
At 1 January 2022	7,204	6,353	699	14,256
Additions	<u>—</u>	<u>988</u>	<u>—</u>	<u>988</u>
At 31 December 2022	7,204	7,341	699	15,244
Additions	<u>—</u>	<u>2,573</u>	<u>—</u>	<u>2,573</u>
At 31 December 2023	<u>7,204</u>	<u>9,914</u>	<u>699</u>	<u>17,817</u>
Amortisation				
At 1 January 2022	(3,189)	(916)	(314)	(4,419)
Provided for the year	<u>(141)</u>	<u>(416)</u>	<u>(17)</u>	<u>(574)</u>
At 31 December 2022	(3,330)	(1,332)	(331)	(4,993)
Provided for the year	<u>(141)</u>	<u>(489)</u>	<u>(17)</u>	<u>(647)</u>
At 31 December 2023	<u>(3,471)</u>	<u>(1,821)</u>	<u>(348)</u>	<u>(5,640)</u>
Carrying amount				
At 31 December 2023	<u>3,733</u>	<u>8,093</u>	<u>351</u>	<u>12,177</u>
At 31 December 2022	<u>3,874</u>	<u>6,009</u>	<u>368</u>	<u>10,251</u>

The carrying amount of leasehold land is measured under IFRS 16 at cost less accumulated amortisation and any impairment losses. The leasehold land is amortised on a straight-line basis over the lease term of 50 years.

Landscape facilities represent the construction cost of arbors and bridges in the mausoleum. Amortisation for landscape facilities is provided on a straight-line basis over the estimated useful life of 20 years.

Development costs represent the costs paid for the foundation work and putting the land into the condition ready for development of cemetery business. Amortisation for development costs is provided on a straight-line basis over the estimated useful life (same as leasehold land over the lease term).

Upon commencement of development of an area within the cemetery, the related carrying amounts of leasehold land and development costs are transferred to inventories.

11. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
Staff advance	—	30
Prepayments	428	1,224
Advance payment for land demolition (<i>note (b)</i>)	<u>29,321</u>	<u>28,396</u>
	<u>29,749</u>	<u>29,650</u>
Non-current		
Guarantee deposit and payments for a cemetery project (<i>note (a)</i>)	9,270	8,846
Other receivables (<i>note (c)</i>)	<u>3,000</u>	<u>3,000</u>
	<u>12,270</u>	<u>11,846</u>

Notes:

- (a) The amount represents the interest-free guarantee deposit paid to a minority shareholder, Langfang Xinhangcheng Real Estate Development Co., Limited (廊坊市新航城房地產開發有限公司, “Xinhangcheng”) for development of a new cemetery project located in Langfang relocation and settlement zone, Beijing, and should there be no breach on the part of Langfang Wantong Cemetery Co., Ltd. (“Langfang Wantong”, a subsidiary of the Company) before the official commencement of operation of the cemetery, Xinhangcheng shall within 90 days therefrom refund the guarantee deposit to Langfang Wantong. The difference between the nominal amount and the fair value of the guarantee deposit at initial recognition was regarded as payments for a cemetery project.
- (b) The balance mainly represents an interest-free advance payment of RMB30,000,000 to Baijiawu Office (白家務辦事處, a local government department) for the land demolition relating to the development of a new cemetery project located in Langfang relocation and settlement zone, Beijing. As at 31 December 2023, works related to the land demolition have been substantively completed, and the administrative approval procedures pertaining to the transfer of land use right was in progress. The Directors estimated that the transfer of the land use right and the return of the advance payment will be completed within one year from the balance sheet date.
- (c) The amount as at 31 December 2023 and 2022 represents an interest-bearing advance payment to Langfang Funeral Parlour (廊坊市殯儀館, a business unit under Langfang Civil Affairs Bureau). Pursuant to the agreement entered into between Langfang Wantong and Langfang Funeral Parlour in 2022, Langfang Wantong was entrusted to provide certain extended funeral services in Langfang Funeral Parlour. In accordance with the agreement, Langfang Wantong advanced an amount of RMB3,000,000 to Langfang Funeral Parlour, which bears interest based on prevailing bank loan interest rate for the corresponding period. The Directors estimated that the principal and interest will be repaid in the year of 2025.

12. TRADE AND OTHER PAYABLES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	7,312	5,785
Other payables and accrued expenses	5,484	3,871
	<u>12,796</u>	<u>9,656</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Less than 1 year	7,156	1,078
1 to 2 years	17	4,570
2 to 3 years	25	27
Over 3 years	114	110
	<u>7,312</u>	<u>5,785</u>

13. CONTRACT LIABILITIES

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

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Provision of cemetery maintenance services (<i>note</i>)	82,676	75,897
Provision of other burial-related services	1,845	745
	<u>84,521</u>	<u>76,642</u>
Current	7,357	5,915
Non-current	77,164	70,727
	<u>84,521</u>	<u>76,642</u>

Note: The increase in contract liabilities in the current year was mainly due to the long-term advances received from customers. 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.

The following table presented the amounts of revenue recognised in profit or loss which were included in contract liabilities carried forward from prior periods.

Year ended 31 December 2023

	Provision of cemetery maintenance services <i>RMB'000</i>	Provision of other burial- related services <i>RMB'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u><u>5,233</u></u>	<u><u>560</u></u>

Year ended 31 December 2022

	Sales of burial plots <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Provision of other burial- related services <i>RMB'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u><u>1,007</u></u>	<u><u>4,828</u></u>	<u><u>798</u></u>

The Group receives all the contract amounts when signing the contracts with customers on sales of burial plots and provision of cemetery maintenance services. Transaction price is allocated between sales of burial plots and the maintenance services on a relative standalone selling price basis. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction. The Group considers the advance payment does not contain significant financing component and accordingly the amount of consideration is not adjusted for the effects of the time value of money taking into consideration that the payment terms were not structured primarily for the provision of finance to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year ended 31 December 2023, the Group was principally engaged in the sale of burial plots, provision of other burial-related services, provision of cemetery maintenance services and provision of funeral services in Langfang, the PRC.

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

Burial services were the largest component of our revenue, representing RMB45.2 million or 79.4% of our revenue for the year ended 31 December 2023 (2022: RMB40.8 million or 89.2%).

The burial services market in Langfang is concentrated. Demand for our burial services and growth in our revenue are driven by the overall demand for burial services in Langfang and the Jing-Jin-Ji megalopolis at large. We believe our reputation, quality of services, and well-maintained and conveniently located facilities allow us to compete effectively in Langfang. The Company is optimistic that this operation will be continuously developed and expanded.

Provision of funeral services

Funeral services represented revenues from one-stop-shop services such as the organisation and conducting of funeral services. Revenue relating to these funeral services is recognised at a point in time when the services have been provided and accepted by the customer, and the payment of the transaction price is due immediately at the point the customer purchases the services. Our revenue from provision of funeral services was RMB6.3 million for the year ended 31 December 2023 (2022: Nil).

Provision of cemetery maintenance services

We provide ongoing cemetery maintenance services as an integral part of our burial services to maintain our beautiful landscaped cemetery. Customers pay for maintenance fees upfront when they sign the sales contracts to purchase the burial plots. Our revenue from cemetery maintenance services was RMB5.5 million for the year ended 31 December 2023 (2022: RMB5.0 million).

BUSINESS OUTLOOK AND RECENT DEVELOPMENT

The months around the Qing Ming Festival, a traditional festival for tomb sweeping, including February, March and April, have always been the peak seasons for the sales of the Group's burial services. In addition to the customers with normal demands of purchasing burial plots for interment after their relatives passed away and being cremated, we expect that there will be customers who need to relocate columbarium or graves in the process of urban demolition and renovation to purchase a burial plots or

choose a columbarium storage service tailored to their needs. The Group will continue to uphold its belief, improve supporting environmental facilities, enrich product offerings and enhance quality, and persist in upgrading our “Cloud Tomb-sweeping” services. On top of ensuring stable and ordered operation, we will continue to innovate and enhance our cemetery operations and provide quality services to our customers.

The Group aspires to strengthen its market position in Langfang and expand its business in the Jing-Jin-Ji megalopolis and beyond through the following strategies.

Focus on developing the JV Cemetery Project

The joint venture cemetery project (the “JV Cemetery Project”) between the Group and Langfang Xinhangcheng Real Estate Development Co., Limited (廊坊市新航城房地產開發有限公司, “Xinhangcheng”) is one of the major development projects of the Group. The Group will continue its proactive development and keep communicating with related governmental departments regarding matters concerning land expropriation and land use planning, and make every effort to facilitate the approval procedures for the operating cemeteries. The Directors believe that the implementation and the continued development of and investment into the JV Cemetery Project will facilitate the Group in consolidating and expanding its market position in Langfang and the Jing-Jin-Ji megalopolis.

Looking forward, the Group will continue to selectively acquire, invest in or enter into strategic partnerships with other death care services providers, including funeral services providers and cemetery operators. The Group’s selection criteria are based on, among other things, brand name, location, land cost, land reserves and profitability. The Group generally favors cemeteries located in wealthy and densely populated provinces, where there is a higher demand for high-quality death care services. In particular, the Group seeks to prioritise business expansion opportunities with death care services providers in the Jing-Jin-Ji megalopolis and bring synergy to its current operations. Meanwhile, it will also explore potential acquisition or investment in other regions. In addition to the downstream industry of burial services, the Group is also committed to seeking development in the upstream industry, for example, palliative care services, to explore potential business opportunities and to identify strategic alliance. Therefore, the Directors believe that the Group will achieve industrial integration from aging to burial for a diverse range of customers.

Strengthen the market position in Langfang

Apart from the above JV Cemetery Project which facilitate the Group in further consolidating its market position and reputation in Langfang, the Company believes that a more elegant environment of the cemetery with warmer, more diversified and person-centered services would enable the Company to address the customers’ various needs and preferences. Thus, the Group will launch various product types at different price point and optimize its burial services. Meanwhile, the Group will continuously upgrade, optimise and further develop its cemetery, especially the environment in cemeteries, with

a view to upgrading its facilities and diversifying its service offerings. In addition to the further development of its cemetery as mentioned above, in terms of our funeral services, the Group will add more professional and diverse services. The Group will also boost its effort in promotion and marketing, utilising online sales platforms to promote the services of the Group through multiple channels.

In addition, in view of the rapid development of Langfang, which is benefited from the overall development of the Jing-Jin-Ji megalopolis, the local government has been carrying out the urban planning and construction. During this process, it may involve the migration of the villagers and resettlement of the cremains of their deceased relatives. As a licensed and well established cemetery, in possession of both capability and capacity, the Group provides columbarium collective storage services to meet the demand arising from the local government's city development plan on one hand, and broaden its income source on the other hand. The Group will continue to cooperate with and support the local government's city development plan, providing funeral services and columbarium storage services.

The Directors believe that, with the brand power and the well-established reputation of the Group accumulated over a long time, as well as the continued development of the projects above, we will further consolidate and strengthen the Group's market position in Langfang.

Expand the business scope of the Group to provide funeral services

The Group generated substantially all of its revenue from burial services and has also forged stable business relationships with a number of local funeral services providers which refer customers to the Group. The Group began to provide extended burial services in Langfang Funeral Parlour since 2023, offering one-stop-shop funeral services to the customers, including etiquettes, rules, wake and farewell ceremony, which will continue to provide a stable source of customers for the Group in the future. The Directors believe that one-stop-shop services integrating funeral and burial services are able to confer a significant competitive advantage, while also ensuring a seamless and smooth experience at each stage of the process. In addition, the Group's staffs providing extended burial services in Langfang Funeral Parlour (廊坊市殯儀館) can introduce cemetery-related services to customers and deal with pre-service business. The Group will continue to provide professional and general skill training for its employees and recruit funeral service specialists, in order to provide more professional and comprehensive services to our customers.

The Group will step up from providing only burial services to providing integrated funeral services and burial services, where we will launch different product types at different price points and add more professional and diverse extended services in aspects such as burial plot maintenance, burial and tomb-sweeping, so as to expand and enhance our service package. Meanwhile, the Group will proactively negotiate with the government and related departments of Langfang concerning the future cooperation

plans, in order to provide more services for the locals and our customers, including the provision of burial services, funeral services and columbarium storage services, expanding our coverage through multiple channels.

The Group believes that the active progression and development of the JV Cemetery Project together with the bid of the Langfang extended funeral services can further strengthen the brand power and reputation of the Group and allow for further recognition from the local government, which will facilitate the Group in competing for cooperation and expansion opportunities, and generate significant revenue for the Group.

Tapping further into the burial market in the Jing-Jin-Ji megalopolis

Leveraging the Group's strategic location in Langfang and proximity to regional hubs in the Jing-Jin-Ji megalopolis, the Group continues to pay effort to tap further into the burial services market in this region, especially in Beijing, where affordable burial plots have become increasingly sparse and local residents become increasingly mobile with the integration of communities and the construction of a web of high-speed intercity transportation infrastructure. The Group plans to devote more marketing resources to serving the neighboring cities and further develop cooperation with local funeral services providers as its business partners. Meanwhile, the Group plans to cooperate with local funeral homes and hospital mortuaries to access bereaved families in a more direct and more prompt way, so that the Group can react immediately to provide high-quality one-stop-shop services integrating funeral and burial services for its prospective customers.

Pursuing strategic alliance and acquisition opportunities

Since the GEM listing, the Group has performed preliminary site visits and researched for some potential acquisition opportunities for the purpose of pursuing strategic alliance and acquisition opportunities according to the future plans set out in the prospectus. Langfang Wantong Public Cemetery Co., Limited (廊坊市萬桐公墓有限公司, "Langfang Wantong"), an indirect wholly-owned subsidiary of the Company, successfully won the bid of the JV Cemetery Project in 2020 and entered into a formal joint venture agreement with Xinhangcheng to jointly establish Langfang Linkong Wantong Public Cemetery Co., Limited (廊坊臨空萬桐公墓有限公司), which is responsible for land resumption, construction and operations and management of the JV Cemetery Project. Since 2021, the Group tapped into the funeral market in the Jing-Jin-Ji megalopolis, continued the comprehensive development of the JV Cemetery Project in an active manner, and made periodic progress in planning and design, land acquisition and relocation. Meanwhile, the Company will continue to explore other suitable opportunities for strategic alliance and acquisition in the future.

Development and Fund Utilization Plan

The JV Cemetery Project is a major development project of the Group, details of which are set out in the announcement and circular of the Company dated 30 June 2020 and 24 August 2020, respectively. As at the date of this report, the JV Company has been jointly established by Langfang Wantong and Xinhangcheng.

The Company has been in the progress of obtaining relevant approvals from government authorities for the construction of an operational cemetery.

As at the date of this announcement, the registered capital of the JV Company of RMB23.2 million payable by Langfang Wantong has not been paid. Following the re-activation of the JV Cemetery Project, the Group expected that such registered capital will be paid-in in order to give the JV Company initial capital to kick-start the development of the JV Cemetery Project.

Subject to government approvals, in 2024 and 2025, the Group will build operating burial plots for sales in the New Airport (Langfang area), Relocation and Settlement Zone, Beijing* (北京新機場(廊坊區域)回遷安置區) and partial storage of the cremation urns and urns for villagers of the relocated village in the airport economic zone, which will involve land resumption and acquisition of land by way of public auction by the JV Company for the purpose of constructing and developing operational cemeteries. It is estimated that the Group will incur capital commitment of approximately RMB85 million. Pursuant to the JV Agreement, the Group is under the obligation to provide shareholder's loan to the JV Company at the interest rate of 6.9% per annum for the JV Cemetery Project should there be capital requirements. It is reasonably foreseeable that along the land acquisition costs will initially be funded by the Group's shareholder's loan.

Following the acquisition of land, it is expected that the JV Company will be engaged in the development and construction of buildings and ancillary facilities on the land, including office building, supporting facilities, columbarium and tombs, with total estimated development costs of approximately RMB50 million. In addition, administration, labour and other sundry costs to be incurred are estimated to be approximately RMB4 million.

The Company is of the view that 2024 to 2026 will be an important period of time for the Group. The Company believes that it is well-prepared to pursue its corporate goals. Leveraging its financial resources, the Directors are confident that the Group will benefit from its investment and create return for its shareholders and enhance shareholders' value.

As at 31 December 2023, the Company had bank balances and cash of RMB235.0 million, representing an excellent liquidity position. The Board has proposed to recommend the payment of a final dividend of HK\$0.01 per share in cash to the shareholders of the Company for the year ended 31 December 2023, representing a total payment of approximately HK\$10,000,000. Apart from the proposed final dividend payment, the Company is confident that the Company will have sufficient funds to swiftly and efficiently allocate and utilize as development costs of the Cemetery JV Project as and when required. The Company has been preparing for the further development of the business of the Group, and believes that it is in a good position to grasp opportunities with the cash accumulated, which gives the Group flexibility and minimizes financing costs for development.

Financial Review

Revenue

Our revenue for the year ended 31 December 2023 was substantially generated from: (i) sale of burial plots, which includes the control of the burial plots and headstones and other ancillary products to be used on the burial plots; (ii) provision of tomb relocation services and other ancillary products; (iii) provision of other burial-related services such as the organisation 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; (iv) provision of funeral services; and (v) provision of cemetery maintenance services. The table below sets forth a breakdown of our revenue:

	Year ended 31 December			
	2023	Percentage of total revenue	2022	Percentage of total revenue
	Revenue (RMB'000)	%	Revenue (RMB'000)	%
Burial business				
Sales of burial plots	37,566	66.0%	26,869	58.8%
Provision of tomb relocation services	—	0.0%	7,629	16.7%
Provision of other burial related services	7,611	13.4%	6,280	13.7%
	<u>45,177</u>	<u>79.4%</u>	<u>40,778</u>	<u>89.2%</u>
Provision of funeral services	<u>6,259</u>	<u>11.0%</u>	<u>—</u>	<u>0.0%</u>
Provision of cemetery maintenance services	<u>5,495</u>	<u>9.6%</u>	<u>4,960</u>	<u>10.8%</u>
	<u><u>56,931</u></u>	<u><u>100.0%</u></u>	<u><u>45,738</u></u>	<u><u>100.0%</u></u>

Cost of sales and services

Cost of sales and services consists primarily of the costs we incurred in relation to the sales and provision of our services. Our cost of sales and services was RMB9.2 million in 2023 (2022: RMB11.6 million), with a decrease of 21.0%.

	Year ended 31 December			
	2023	Percentage of total cost of sales and services	2022	Percentage of total cost of sales and services
	Cost of sales and services (RMB'000)	%	Cost of sales and services (RMB'000)	%
Burial business	6,486	70.6%	11,141	95.9%
Provision of funeral services	1,962	21.4%	—	0.0%
Provision of cemetery maintenance services	731	8.0%	472	4.1%
	<u>9,179</u>	<u>100.0%</u>	<u>11,613</u>	<u>100.0%</u>

The Group's cost of sales and services consists primarily of the costs it incurred in relation to the provision of its services, including the headstone cost, construction cost of columbaria, land acquisition cost, funeral services cost, cemetery maintenance cost, burial-related cost and others.

The Group's cost of sales and services for burial services decreased by 41.8% from RMB11.1 million in 2022 to RMB6.5 million in 2023, primarily due to the increase in cost from the provision of tomb relocation services in 2022. The Group's cost of sales and services for cemetery maintenance increased from RMB0.5 million in 2022 to RMB0.7 million in 2023.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales and services. Our gross profit for 2023 and 2022 was RMB47.8 million and RMB34.1 million, respectively.

	Year ended 31 December			
	2023		2022	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
Burial business	38,691	85.6%	29,637	72.7%
Provision of funeral services	4,297	68.7%	—	—
Provision of cemetery maintenance services	4,764	86.7%	4,488	90.5%
	<u>47,752</u>	<u>83.9%</u>	<u>34,125</u>	<u>74.6%</u>

Our overall gross profit margin for 2023 and 2022 was 83.9% and 74.6%, respectively. Our relatively high gross profit margins during the year were primarily due to (i) the relatively high gross profit margins in the burial industry; (ii) our ability to provide high-quality burial services; and (iii) the relatively low land acquisition cost for our cemetery.

The lower gross profit margin in burial business for 2022 was mainly due to higher costs of tomb relocation business resulting in a lower gross profit margin for the sale of tomb relocation services in 2022. The gross profit margin percentage of the provision of cemetery maintenance services decreased by approximately 3.8% year-on-year, mainly due to the lower cost of cemetery maintenance resulting from the decrease in staff turnover affected by the epidemic in 2022.

Other income

The Group's other income decreased by 63.2% from RMB9.5 million in 2022 to RMB3.5 million in 2023. The decrease was primarily due to the absence of interest income on amounts due from related parties in 2023.

Distribution and selling expenses

Our distribution and selling expenses increased by 39.7% from RMB7.8 million for 2022 to RMB10.9 million for 2023. This increase was primarily due to higher commission and disbursements for promoting the sales of burial plots during the year.

Administrative expenses

Our administrative expenses increased by 32.3% from RMB9.3 million for 2022 to RMB12.3 million for 2023, mainly due to the increase in staff costs as a result of the increase in number of employees.

Profit before tax

As a result of the above, our profit before tax decreased by 8.1% from RMB28.5 million for 2022 to RMB26.2 million for 2023.

Income tax expense

Our income tax expense increased by 32.3% from RMB6.5 million for 2022 to RMB8.6 million for 2023, generally consistent with the increase of our gross profit.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year decreased by 20.1% from RMB22.0 million for 2022 to RMB17.6 million for 2023. Our net profit margin decreased from 48.2% for 2022 to 30.9% for 2023.

Earnings per share

The basic earnings per share for the year ended 31 December 2023 calculated based on the number of 1,000,000,000 ordinary shares was RMB0.018 (basic earnings per share for the year ended 31 December 2022: RMB0.022).

Cash Flow

Our cash and cash equivalents increased by RMB53.7 million, which was increased to RMB235.0 million as at 31 December 2023 from RMB181.3 million as at 31 December 2022, principally attributable to the operating cash inflow.

Pledge of assets

There was no charge on the Group's assets as at 31 December 2023 and 2022.

Inventories

Our inventories primarily consist of burial plots, columbarium units, tombstones and others. The related carrying amounts of the cemetery assets attributable to the burial plots and columbarium units are transferred to inventory upon the commencement of development of cemetery assets into burial plots with the intention of sale in the ordinary course of business. Tombstones are recognised as inventory when they are set up in the cemetery and accepted by the Group. Inventories are transferred to cost when the

customer obtains the control of the burial plot. Our inventories increased from RMB20.0 million as at 31 December 2022 to RMB21.2 million as at 31 December 2023, mainly due to the construction of the burial plots.

Prepayments and other receivables

Our prepayments and other receivables increased from RMB41.5 million as at 31 December 2022 to RMB42.0 million as at 31 December 2023.

Trade and other payables

Our trade and other payables increased by 32.0% from RMB9.7 million as at 31 December 2022 to RMB12.8 million as at 31 December 2023, the increase is mainly due to an outstanding payment of tombstones to suppliers.

Contract liabilities

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

As at 31 December 2023, current contract liabilities amounted to RMB7.4 million (31 December 2022: RMB5.9 million). The increase is mainly due to the columbarium storage service fees received in advance.

As at 31 December 2023, non-current contract liabilities amounted to RMB77.2 million (31 December 2022: RMB70.7 million). The increase in non-current contract liabilities is mainly due to increase in advances from customers during the current year.

Capital structure

During the year ended 31 December 2023, there was no change to the capital structure of the Company.

Liquidity and financial resources

As at 31 December 2023, we had bank balances and cash of approximately RMB235.0 million (2022: RMB211.3 million). We have financed our working capital, capital expenditures and other capital requirements primarily through income generated from our operations. As at 31 December 2023, the Group had no bank loan or borrowings. In the future, we expect to fund our capital expenditures, working capital and other capital requirements from the Group's bank balances and cash, cash generated from our operations and other borrowings.

Gearing ratio

The Directors review the capital structure on annual basis. As part of this review, the Directors consider the cost of capital and the risk associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through payment of dividends, issue of new shares and repurchase of shares as well as issue of new debts or the redemption of existing debts.

As at 31 December 2023, the gearing ratio of the Group, being total liabilities to total assets, was 30.9% (2022: 30.5%), which indicated the Group's healthy liquidity position.

Employee remuneration and relations

As at 31 December 2023, the Group had a total of 75 employees (2022: 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.

Operating lease

As at 31 December 2023, the Group had no lease payment receivables (2022: nil).

Commitments

As at 31 December 2023, the Group had no capital commitments in respect of expenditure in intangible assets (2022: RMB0.5 million).

Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities (2022: nil).

Foreign currency risk

The Group's business is principally denominated in Renminbi. As certain bank deposits are denominated in Hong Kong dollars, therefore, the Group is exposed to foreign currency exchange risk. No currency hedging arrangement had been made by the Group during the year. The Directors have positive attitude to regular monitor the exposure to foreign exchange so as to reduce the foreign exchange rate risk to minimal.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2023.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this announcement, the Board is not aware of any significant events affecting the Group, which have occurred subsequent to 31 December 2023 and up to the date of this announcement.

DIVIDEND

The Board has proposed to recommend the payment of a final dividend of HK\$0.01 per share in cash to the shareholders of the Company for the year ended 31 December 2023, representing a total payment of approximately HK\$10,000,000. The final dividend is subject to approval of the shareholders at the forthcoming annual general meeting (“AGM”) of the Company proposed to be held on 21 June 2024 (Friday). Upon shareholders’ approval to be obtained at the AGM, the final dividend will be payable on or around 11 July 2024 (Thursday) to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 2 July 2024 (Tuesday).

CORPORATE GOVERNANCE

The Company is committed to establishing and maintaining good corporate governance practices and procedures. For the year ended 31 December 2023, the Board has adopted its own code on corporate governance practices which incorporates all the code provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Directors of the Company will continue to review its corporate governance practices in order to enhance its corporate governance standard and ensure further standards be put in place by reference to the recommended best practices whenever suitable and appropriate. The Directors confirm that the Company has complied with the code provisions of the Corporate Governance Code and the code on corporate governance practices of the Company during the year ended 31 December 2023, except for the following deviations:

In respect of code provision C.5.3 of the Corporate Governance Code, notice of at least 14 days should be given of the regular board meeting to give all directors an opportunity to attend. During the year ended 31 December 2023, one Board meeting in respect of the change of company secretary, authorised representative and agent for service of process in Hong Kong was convened with less than 14 days’ notice. As a result, the aforesaid regular Board meeting was held with a shorter notice period than required with the

consent of all the Directors for that time being. The Board will do its best endeavours to meet the requirement of code provision C.5.3 of the Corporate Governance Code in the future.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules as its own code of conduct for Directors' and employees' securities transactions ("Securities Dealing Code"). Having made specific enquiry of all the Directors and members of the senior management, they have confirmed their compliance with required standard set out in the Securities Dealing Code during the year.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group with the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made, and recommended to the Board for approval.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2023 is scheduled to be held on Friday, 21 June 2024 (the "AGM"). A notice convening the AGM will be issued and disseminated to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024 (both days inclusive) during which no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM of the Company, all completed transfer documents accompanying with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office

in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Monday, 17 June 2024.

The period of closure of the register of members of the Company for the purpose of determining shareholders’ entitlements to the final dividend is from 27 June 2024 (Thursday) to 2 July 2024 (Tuesday) (both days inclusive), and during such period, no transfer of shares of the Company will be registered. In order to qualify for the entitlement of the final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 26 June 2024 (Wednesday).

FORWARD LOOKING STATEMENTS

This announcement includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believe”, “estimate”, “anticipate”, “expect”, “intend”, “may”, “will” or “should” or, in each case, their negative, or other variations or similar terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, results of operations, financial condition, liquidity, prospects and growth strategies of the Group, and the industry in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this annual report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this annual report, those results or developments may not be indicative of results or developments in subsequent periods.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinawty.com) and the 2023 annual report of the Company will be dispatched to the shareholders and published on the Company's and the Stock Exchange's websites in due course.

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

Hong Kong, 27 March 2024

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.