
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Wan Tong Yuan (Holdings) Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**MAJOR TRANSACTION
FORMATION OF A JOINT VENTURE COMPANY**

A letter from the Board is set out on pages 3 to 11 of this circular.

This circular will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the Company's website at <http://www.chinawty.com/>.

25 August 2020

CONTENTS

| | <i>Page</i> |
|---|-------------|
| DEFINITIONS | 1 |
| LETTER FROM THE BOARD | 3 |
| APPENDIX I — FINANCIAL INFORMATION | 12 |
| APPENDIX II — GENERAL INFORMATION | 15 |

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

| | |
|----------------------------|--|
| “Announcement” | the announcement of the Company dated 30 June 2020 in relation to the Cemetery JV Project |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Bid-winning Confirmation” | a confirmation received by Langfang Wantong on the successful tender of the Cemetery JV Project dated 30 June 2020 |
| “Board” | the board of Directors |
| “Cemetery JV Project” | a cemetery joint venture project located in new airport (Langfang area), relocation and settlement zone, Beijing* (北京新機場(廊坊區域)回遷安置區公墓項目) contemplated under the JV Agreement |
| “Company” | China Wan Tong Yuan (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Contribution(s)” | contribution(s) to be paid by Langfang Wantong to an account designated by the parties to the JV Agreement at the interest rate of 6.9% per annum for the Cemetery JV Project |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “JV Agreement” | the joint venture agreement entered into between Langfang Wantong and Xinhangcheng on 6 July 2020 (as amended and supplemented from time to time) in relation to the formation of the JV Company and the Cemetery JV Project |
| “JV Company” | a limited liability company to be established by the parties pursuant to the terms and conditions of the JV Agreement |
| “Langfang Wantong” | Langfang Wantong Public Cemetery Co., Limited* (廊坊市萬桐公墓有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company |

DEFINITIONS

| | |
|---------------------------|--|
| “Latest Practicable Date” | 18 August 2020, being the latest practicable date before the printing of this circular for ascertaining certain information for inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) |
| “Share(s)” | the share(s) of the Company |
| “Shareholder(s)” | the holder(s) of the Shares |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited |
| “US\$” | United States dollars, the lawful currency of the United States |
| “Xinhangcheng” | Langfang Xinhangcheng Real Estate Development Co., Limited* (廊坊市新航城房地產開發有限公司), a company established under the laws of the PRC |
| “%” | per cent |



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)

Executive Directors:

Ms. Li Xingying

Mr. Huang Guangming

Non-executive Director:

Ms. Zhao Ying (*Chairman*)

Independent non-executive Directors:

Mr. Cheung Ying Kwan

Dr. Wong Wing Kuen Albert

Mr. Choi Hon Keung Simon

Registered office:

2nd Floor

The Grand Pavilion Commercial Centre

802 West Bay Road, P.O. Box 10338

Grand Cayman KY1-1003

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 3508, 35/F

West Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

25 August 2020

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION
FORMATION OF A JOINT VENTURE COMPANY**

INTRODUCTION

Reference is made to the Announcement in relation to the Cemetery JV Project.

The Company has obtained written approvals for the JV Agreement and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from Tai Shing International Investment Company Limited, which is beneficially interested in an aggregate of 700,000,000 Shares (representing 70% of the entire issued share capital of the Company) as at the date of the Announcement. As such, no general meeting will be convened for the approval the JV Agreement and the transactions contemplated thereunder as is permitted under Rule 14.44 of the Listing Rules.

LETTER FROM THE BOARD

The primary purpose of this circular is to provide you with, among other matters, details of the JV Agreement, the transactions contemplated thereunder and further information required to be disclosed under the Listing Rules.

THE CEMETERY JV PROJECT

Subject Matter

On 30 June 2020, Langfang Wantong received the Bid-winning Confirmation in respect of the successful tender of the Cemetery JV Project. Pursuant to the relevant tender documents, Langfang Wantong and Xinhangcheng entered into the JV Agreement on 6 July 2020, pursuant to which the parties will set up the JV Company with a registered capital of RMB30.0 million. Each of Langfang Wantong and Xinhangcheng is to contribute to the registered capital of the JV Company at RMB23.7 million and RMB6.3 million in proportion to their equity interests of 79% and 21% in the JV Company, respectively. Pursuant to the JV Agreement and as mutually agreed between the parties thereto, Langfang Wantong shall on a mutually agreed date pay RMB30.0 million as initial Contribution to a designated account of the JV Company for the purpose of the Cemetery JV Project and pay the refundable Guaranteed Sum of RMB8.0 million within 10 days from the date of the JV Agreement. As a result, the total amount payable by the Group as at the date of the JV Agreement in connection with the Cemetery JV Project was RMB61.7 million.

As at the Latest Practicable Date: (i) the registered capital of the JV Company of RMB23.7 million payable by Langfang Wantong has not been paid, and it is expected to be paid within 90 days from the date of completion of registration of the JV Company (i.e. 31 July 2020); (ii) the initial Contribution of RMB30.0 million has not been paid; and (iii) the Guaranteed Sum of RMB8.0 million has been paid in accordance with the JV Agreement.

The JV Company will be recognised as an indirect non wholly-owned subsidiary of the Company and its accounts will be consolidated into the financial statements of the Company.

The principal terms of the JV Agreement are summarised below:

Date

6 July 2020

Parties

1. Langfang Wantong; and
2. Xinhangcheng.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Xinhangcheng and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

LETTER FROM THE BOARD

Cooperation in respect of the JV Company

The JV Company shall be jointly established by Langfang Wantong and Xinhangcheng, which shall be responsible for land resumption compensation, investment and construction and operations and management of the Cemetery JV Project. Under the JV Agreement, the parties shall prepare and submit the registration documents in respect of the establishment of the JV Company within 30 days from the date of the JV Agreement. On 31 July 2020, the JV Company has been established with registration documents approved.

The term of cooperation under the JV Agreement shall depend on whether the Cemetery JV Project is approved as a project of operational cemeteries or philanthropic cemeteries. Should the JV Company be approved to construct philanthropic cemeteries, the initial term of cooperation shall be five (5) years from the completion of the Cemetery JV Project (the “**5-Year Term of Cooperation**”), with an option to sell or continue the cooperation at the discretion of Langfang Wantong. Should the JV Company be approved to construct operational cemeteries, the term of cooperation shall be subject to the relevant laws, regulations, policies and supervisory approvals etc.. Insofar as the Company is aware, the principal regulations and approvals include but are not limited to: (i) a business license (which have been obtained on 31 July 2020); (ii) the term of the land use right of the piece of land to be used for the Cemetery JV Project; the Company understands that such term is normally 40 years with a possibility of extension; and (iii) an operating permit for cemetery operations granted by the Civil Affairs Bureau, which is valid for periods ranging from 2 to 5 years and may be extended upon expiry.

Operational cemeteries are commercially operated cemeteries. The prices of burial plots and ancillary services for operational cemeteries are driven by market demand and may be determined by the operators at their discretion. Philanthropic cemeteries are non-profit cemeteries servicing users of specified villages or districts. The prices of burial plots and ancillary services for philanthropic cemeteries are determined on a cost plus basis and such prices are subject to the approval of relevant government authorities. The Company understands that the land use rights for operational cemeteries are generally acquired by operators from the relevant government authorities by way of public auction, and are usually subject to a specific use and term of use. Lands for philanthropic cemeteries are generally granted by the relevant government authorities to operators without a cost (except for relevant compensation and relocation fees for the original user of the lands), and are usually subject to restrictions on use and disposals or creation of encumbrances. Lands for philanthropic cemeteries are generally not subject to a specific term of use.

The Company intends to use its best effort to obtain relevant approvals for the construction of an operational cemetery, with an aim of further expand our operations and strengthen its market position in Langfang and expand its business in the Jing-Jin-Ji megalopolis and beyond through the continuous development and operations of the Cemetery JV Project.

As at the Latest Practicable Date, the Company has already successfully obtained the operating license for long term operations of the Cemetery JV Project. According to the scope stated in the operating license, the JV Company may engage in constructions,

LETTER FROM THE BOARD

management and operations of the cemetery, collective storage services for columbaria and funeral services. The Company is currently applying for approval from the government of the Guangyang District* (廣陽區政府部門) for the Cemetery JV Project as operational cemeteries, and is planning to subsequently apply for approvals from the municipal government and provincial government around or before the end of 2020.

The Cemetery JV Project

The Cemetery JV Project is located 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). The total planned area of land to be used is approximately 105.819 Mou (畝), while the actual area of land to be used is subject to the approval of relevant government authorities. Under the Cemetery JV Project, either operational cemeteries or philanthropic cemeteries may be constructed and developed, and the actual development in respect of the Cemetery JV Project is subject to the relevant approval(s). The JV Company shall construct a columbarium unit with an area of approximately 3,000 square metres for the storage of cremains of villagers who are subject to land resumption and relocation in the Area, regardless of whether the construction of operational cemeteries or philanthropic cemeteries is eventually approved in respect of the Cemetery JV Project.

Registered capital of the JV Company and capital contribution

The parties are to establish the JV Company with a registered capital of RMB30.0 million and Langfang Wantong and Xinhangcheng would each make a capital contribution in proportion to their respective equity interest of 79% and 21% in the JV Company. Accordingly, Langfang Wantong and Xinhangcheng shall each make cash payment for capital contributions in the amount of RMB23.7 million and RMB6.3 million, respectively, within 90 days from the completion of registration of the JV Company.

Fund raising

The funds required for land resumption compensation, construction and operations in respect of the Cemetery JV Project are to be financed by the JV Company. Should the internal funds of the JV Company fall short of the funds required for the Cemetery JV Project during the term of cooperation under the JV Agreement, Langfang Wantong is obligated to make Contribution(s) at an interest rate of 6.9% per annum within 15 days from the issue of written request(s) by the JV Company or Xinhangcheng. It was mutually agreed that, as initial Contribution, Langfang Wantong shall at a mutually agreed time (based on the actual funding needs of the JV Company) pay RMB30.0 million as Contribution to a designated account of the JV Company for the purpose of the Cemetery JV Project.

The amount of capital commitment and Contribution made and the Guaranteed Sum provided by Langfang Wantong are arrived at after arm's length negotiations between the parties to the JV Agreement with reference to, among others, the projected capital requirement of the JV Company, the percentage of equity interests held by Langfang Wantong in the JV Company and the actual development needs of the JV Company in

LETTER FROM THE BOARD

respect of the Cemetery JV Project. The capital contribution by Langfang Wantong will be funded by internal resources of the Group, and part of which will be funded by the proceeds from the global offering of the Company conducted in September 2017 for tapping further into the burial services market in the Jing-Jin-Ji megalopolis and pursuing strategic alliance and acquisition opportunities.

Guarantee

Within 10 days from the date of the JV Agreement, Langfang Wantong shall pay a sum of RMB8.0 million (the “**Guaranteed Sum**”) to a designated account of Xinhangcheng as guarantee for a term commencing from the date of the JV Agreement and ending upon the official completion of the Cemetery JV Project (subject to the written confirmation of Xinhangcheng). 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 Guaranteed Sum to Langfang Wantong (without interest).

Management of the JV Company

The board of directors of the JV Company shall comprise of three (3) directors, two (2) of whom will be appointed by Langfang Wantong and the remaining one (1) director will be appointed by Xinhangcheng. Unless specifically provided in the JV Agreement, the decisions of the board of directors of the JV Company shall be by a vote of at least two-third of the directors of the JV Company.

The board of directors of the JV Company shall answer to the shareholders’ meeting of the JV Company. Unless specifically provided in the JV Agreement, the decisions of the shareholders of the JV Company shall be made by a vote of at least two-third of the voting rights of the JV Company.

The chairman, legal representative, general manager and financial director of the JV Company shall be appointed by Langfang Wantong, and one (1) supervisor, the deputy general manager and finance manager shall be appointed by Xinhangcheng. Xinhangcheng may also appoint other personnel based on the needs of the JV Company.

Encumbrance and pre-emptive rights

Under the JV Agreement:

- (1) if any party proposes to transfer all or part of its equity interest in the JV Company to a third party, such transfer shall be subject to the consent of and a right of first refusal to acquire such equity interest of the other party; and
- (2) no charge or encumbrance may be created upon the equity interest of the JV Company by any party without the prior consent of the other party.

LETTER FROM THE BOARD

Compulsory purchase of equity interest owned by Langfang Wantong

During the term of the JV Agreement, if Langfang Wantong shall be in breach of the relevant provision(s) in the JV Agreement so that the construction or completion of the Cemetery JV Project is hindered; and that Langfang Wantong has not rectified such breaches by fulfilling its obligations under the JV Agreement (including but not limited to paying up the registered capital of the JV Company, providing Contributions for the Cemetery JV Project, operating and managing the JV Company pursuant to the framework set out in the JV Agreement etc.) within 10 days after a written request made by Xinhangcheng, Langfang Wantong shall be deemed to have breached the JV Agreement. Upon the occurrence of such event, (i) Xinhangcheng (or a third party nominated by it) is entitled to purchase all the equity interest owned by Langfang Wantong at a consideration representing the paid-up capital contribution of Langfang Wantong; and (ii) the Contribution(s) provided by Langfang Wantong shall become interest free and only the principal amount of such Contribution(s) would be paid back to Langfang Wantong.

Purchase of equity interest owned by Langfang Wantong — Philanthropic cemetery

If the construction of philanthropic cemetery is being approved, Langfang Wantong may at its discretion sell its equity interest in the JV Company during or after the 5-Year Term of Cooperation to Xinhangcheng within 90 days from giving a prior written notice. The consideration shall be the paid-up capital contribution of Langfang Wantong plus the Contribution(s) (with interest at an annual interest rate of 6.9% as stated in the JV Agreement).

Purchase of equity interest owned by Langfang Wantong — Operational cemetery

If the construction of operational cemetery is being approved, Langfang Wantong may sell all or part of its equity interest in the JV Company to third party(ies) upon completion of the Cemetery JV Project, subject to the consent and the right of first refusal of Xinhangcheng.

The Company intends to use its best effort to obtain relevant approvals to construct an operational cemetery and further expand its operations and strengthen its market position in Langfang and expand its business in the Jing-Jin-Ji megalopolis and beyond, through the continuous development and operations of the Cemetery JV Project.

The Company will comply with the relevant requirements under Chapters 14 and 14A of the Listing Rules if and when Langfang Wantong sells its equity interest in the JV Company.

INFORMATION ON THE PARTIES

Information of the Company and the Group

The Company is an investment holding company and the Group is primarily engaged in the sale of burial plots and columbarium units, provision of other burial-related services and provision of cemetery maintenance services.

LETTER FROM THE BOARD

Information of Langfang Wantong

Langfang Wantong is a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company. Langfang Wantong is principally engaged in the sale of burial plots and columbarium units, provision of other burial-related services and provision of cemetery maintenance services in Langfang.

Information of Xinhangcheng

Xinhangcheng, an independent third party, is a company established under the laws of the PRC. Xinhangcheng is principally engaged in property development and sales, property management, urban infrastructure and facilities development, housing reinstatement and land consolidation. The ultimate beneficial owner of Xinhangcheng is Langfang City Government* (廊坊市政府).

FINANCIAL EFFECT OF THE COMPANY

Pursuant to the JV Agreement, the JV Company will be accounted for as a 79%-owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group after completion of establishment. It is expected that with the Company's portion of the capital contribution is expected to be funded by the Group's internal resources, the assets of the Group will be increased by an amount representing the contribution made to the JV Company by Xinhangcheng of RMB6.3 million. The liabilities and earnings of the Group will remain unchanged immediately following the completion of the establishment of JV Company since the JV Company, being newly established, would not have incurred any liability or recorded any revenue or earnings. The overall effects of the completion of establishment of the JV Company on the future earnings of the Group will depend on, among other things, the operating results of the JV Company. It is expected that the JV Company will bring positive influence to the Group as a subsidiary.

REASONS FOR AND BENEFITS OF THE CEMETERY JV PROJECT

The Company is an investment holding company and the Group is primarily engaged in the sale of burial plots and columbarium units, provision of other burial-related services and provision of cemetery maintenance services.

The participation in the Cemetery JV Project is another significant project of the Group after the successful transfer of listing from GEM to Mainboard of the Stock Exchange. The Board believes that the establishment of the JV Company represents an attractive opportunity for the Group to tap on the business in the sale of columbarium units, provision of other burial-related services and provision of cemetery maintenance services. The Cemetery JV project will enable the Group to further strengthen its market position in Langfang and expand its business in the Jing-Jin-Ji megalopolis and beyond, which is in line with one of the principal businesses of the Group.

The Beijing Daxing International Airport Economic Zone* (北京大興國際機場臨空經濟區) 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 Cemetery JV Project

LETTER FROM THE BOARD

located in the new airport economic zone is sited at the intersection of Beijing and Langfang, which enjoys unique geographical advantages with a planned area of land to be used of approximately 105.819 Mou (畝). As the first cemetery project in the new airport economic zone in Beijing, the project is an important initiative to promote the comprehensive construction of the airport economic zone and achieve the mutual development of society, ecology and economic benefits. This successful bid is a recognition for the comprehensive strength and professional technology level of the Group.

Ever since its listing in 2017, the Company has been following the idea of “tapping further into the burial services market in the Jing-Jin-Ji megalopolis and pursuing strategic alliance and acquisition opportunities” as one of its business objectives. The Board believes that the Cemetery JV Project will further strengthen the Group’s market position in the Langfang region and the Jing-Jin-Ji megalopolis. The Group will leverage on its own advantages to provide strong support for the relocation of urns in the temporary columbarium 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 the storage of the urns for villagers of the relocated village in the airport economic zone at the current stage, and will actively improve the relevant basic ancillary facilities. The Group will optimise and improve the regional environment, and strive to build a cemetery with the theme of burial culture, integrating the elements of “burial services, education, tourism and humanity” to make more contribution to the hastening of the construction of the airport economic zone.

The Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement and the transactions contemplated thereunder are on normal commercial terms. Taking into account (i) the considerations of the Company set out in the above; (ii) the nature of the Cemetery JV Project as a cooperation proposal with pre-determined key terms and conditions set out in the tender documents for public bidding; (iii) the fact that the interest rate of 6.9% per annum on the Contribution would be shared by Xinghangcheng in proportion to its equity interest as interests expenses of the JV Company; and (iv) the terms and conditions of the JV Agreement and the expected benefits of the Cemetery JV Project taken as a whole, the Directors (including the independent non-executive directors) consider the terms and conditions of the JV Agreement (including the Contribution and the interest rate of 6.9% per annum) are in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the formation of the JV Company and the Group’s commitment contemplated under the JV Agreement exceed 25% but are less than 75%, the entering into the JV Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the notification, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, shareholders’ approval for the JV Agreement and the transactions contemplated thereunder may be obtained by way of written shareholders’ approval in lieu of holding a general meeting if (a) no Shareholder is

LETTER FROM THE BOARD

required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transactions.

The Company has obtained written approval for the JV Agreement and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from Tai Shing International Investment Company Limited, a beneficial owner of 700,000,000 Shares (representing 70% of the entire issued share capital of the Company) as at the date of the Announcement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the JV Agreement and the transactions contemplated thereunder and therefore none of them is required to abstain from voting if the Company was to convene a general meeting for the approval of the JV Agreement and the transactions contemplated thereunder. As such, no general meeting will be convened for this purpose as is permitted under Rule 14.44 of the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the JV Agreements are on normal commercial terms and are negotiated on an arm's length basis, and the transactions contemplated under the JV Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FURTHER INFORMATION

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

Yours Faithfully,
For and on behalf of the board of Directors of
China Wan Tong Yuan (Holdings) Limited
Zhao Ying
Chairman

1. FINANCIAL INFORMATION

Financial information of the Group for the years ended 31 December 2017, 2018, and 2019 and the six months ended 30 June 2020 is disclosed in the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 and the interim results for the six months ended 30 June 2020, respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.chinawty.com/>).

Annual report for the year ended 31 December 2017 (pages 54 to 124):
<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0328/gln20180328425.pdf>

Annual report for the year ended 31 December 2018 (pages 55 to 144):
<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0322/gln20190322043.pdf>

Annual report for the year ended 31 December 2019 (pages 63 to 140):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042000097.pdf>

Interim results for the six months ended 30 June 2020 (pages 2 to 20):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0813/2020081301668.pdf>

2. INDEBTEDNESS

Lease liabilities

The Group has unguaranteed lease liabilities (comprising both current and non-current liabilities) of approximately RMB967,000 as at 30 June 2020, which is secured by our Group's rental deposits of approximately RMB200,000.

Except for as disclosed above, as of 30 June 2020, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, unutilized banking facilities, lease obligations or hire purchase commitments or guarantees or material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the JV Agreements and the transactions contemplated thereunder and the present financial resources available to the Group, including internally generated funds, the Group will have sufficient working capital to meet its present requirements for at least 12 months from the Latest Practicable Date.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2019 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Over the year, the Group is principally engaged in the sale of burial plots and columbarium units, provisions of other burial related services, and provision of cemetery maintenance services in Langfang. The continuous upgrade of its burial services, development of its cemetery facilities, and diversification of its services offering, the Group has strengthened its position and competitiveness as a burial services provider in Langfang and Jing-Jin-Ji megalopolis.

Regarding the Group's objectives since its listing in 2017, the Group has been seeking suitable strategic alliances and acquisition opportunities proactively and tapping further into the burial service market in the Jing-Jin-Ji megalopolis. Through the Cemetery JV Project with Xinghangcheng, the Group believes it is a huge opportunity to further strengthen and expand its market position in Jing-Jin-Ji megalopolis and Langfang region.

Under the Group's tent of "respecting life, returning to nature, displaying humanity, and eternal commemoration", the Group will operate and manage the Cemetery JV Project as green, environmental and modern cemetery. The Group will leverage its advantages to optimize the regional environment and strive to develop a green, ecological, and beautiful cemetery environment to carry on the tent of the Group. It also enhances the Group's service capability in the fast-growing burial market in the Langfang region and Jing-Jin-Ji megalopolis, hence strengthening the Group's competitive advantage as a whole.

As disclosed in the 2020 Interim results of the Company, the revenue of the Group amounted to RMB19.1 million for the six months ended 30 June 2020. Gross profit and net profit for the Group amounted to RMB15.9 million and RMB8.7 million respectively for the six months ended 30 June 2020. Total assets and total equity amount to RMB219.0 million and RMB161.1 million respectively as at 30 June 2020.

Regarding the Cemetery JV Project, the project investment would include relocation, land, construction and installation, and other relevant investments of the development of the Cemetery JV Project. Other than the initial capital contribution, estimation of further investments would be determined and agreed upon progressively between the parties in accordance with the JV Agreement and the relevant rules and regulations. Accordingly, the investment in the Cemetery JV Project is not expected to have material effects on the position of the revenue of the Group before the completion of the cemetery construction. The impact on the earnings of the Group would depend on the future financial performance of the Cemetery JV Project.

Going forward, the Group will continue to look for investment projects with potential strategic alliances or partners. The Group will also continue to strive and seek out expansion opportunities through mergers and acquisitions and other business formations, to create greater value for our shareholders and stakeholders in return for their support.

(A) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

(B) DISCLOSURE OF INTERESTS**(a) Directors' interests**

As at the Latest Practicable Date, the interests and short positions of the Directors, proposed Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

| Name | Company | Nature of Interest | Type of Interest | Number of Shares | Approximate % of Shareholding (Note 1) |
|---------------------------|---------|---|------------------|------------------|---|
| Ms. Zhao Ying (Note 2) | Company | Founder of a discretionary trust who can influence how the trustee exercises its discretion | Long Position | 700,000,000 | 70.00% |

Notes:

- The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at the Latest Practicable Date.
- Ms. Zhao Ying is the chairman and a non-executive Director of the Company. She is the settlor, sole member of The Hope Trust's protective committee and a beneficiary of The Hope Trust, which is a discretionary trust and TMF (Cayman) Ltd. is the trustee 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed directors and chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company and any of its associated corporations which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code adopted by the Company; or (ii) entered in the register required to be kept under Section 352 of the SFO.

(b) Substantial shareholders' and other persons' interests in the shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors, proposed directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

| Name of Shareholder | Nature of Interest | Long Position/ Short Position | Number of Shares | Approximate% of Issued Share Capital of the Company (Note 1) |
|--|---|----------------------------------|---------------------|---|
| Tai Shing International Investment Company Limited | Beneficial owner (Note 2) | Long Position | 700,000,000 | 70.00% |
| Lily Charm Holding Limited | Interest in a controlled Corporation (Notes 2, 3) | Long Position | 700,000,000 | 70.00% |
| TMF (Cayman) Ltd. | Trustee (Notes 2, 3 and 4) | Long Position | 700,000,000 | 70.00% |
| Fairich Trading Limited | Beneficial owner (Note 5) | Long Position | 87,650,000 | 8.77% |
| Ms. Xing Junying | Interest in a controlled Corporation (Note 5) | Long Position | 87,650,000 | 8.77% |

Notes:

- The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at the Latest Practicable Date.
- Tai Shing International Investment Company Limited directly holds 700,000,000 Shares as at the Latest Practicable Date.
- Lily Charm Holding Limited holds the entire issued share capital of Tai Shing International Investment Company Limited, thus Lily Charm Holding Limited is deemed to be interested in 700,000,000 Shares under the SFO.
- TMF (Cayman) Ltd. is the trustee of The Hope Trust, which is a discretionary trust set up by Ms. Zhao Ying, the chairman and a non-executive Director of the Company. TMF (Cayman) Ltd. directly holds the entire issued share capital of Lily Charm Holding Limited. Therefore, TMF is deemed to be interested in 700,000,000 Shares pursuant to the SFO.

5. Fairich Trading Limited is directly wholly owned by Ms. Xing Junying

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(C) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

(D) COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors, proposed directors of the Company or their respective close associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

(E) DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting, which was significant in relation to the business of the Group; and
- (b) none of the Directors, proposed directors of the Company nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(F) LITIGATION

As at the Latest Practicable Date and so far as the Directors are aware, no member of the Group was engaged in any litigation, claims or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

(G) MATERIAL CONTRACTS

The following contracts, not being contracts entered in the ordinary course of business of the Group, have been entered into by the members of the Group within two years preceding the Latest Practicable Date and which are, or may be, material:

- (a) the JV Agreement; and
- (b) the conditional sale and purchase agreement dated 24 August 2018 and entered into by Langfang Wantong Cemetery Co., Ltd. (廊坊市萬桐公墓有限公司) and Langfang City Huanmei Landscaping Engineering Co., Ltd (廊坊市環美園林工程有限公司) in respect of the sale and purchase of 33,150,000 shares in Suburban Rural Credit Cooperatives of Langfang City* (廊坊市城郊農村信用合作聯社) at the consideration of RMB76,000,000.

(H) CORPORATE AND OTHER INFORMATION

The registered office of the Company is situated at 2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands.

The principal place of business in Hong Kong of the Company is situated at Unit 3508, 35th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The company secretary of the Company is Mr. Tang Chun Man Adam, he is responsible for the financial management, accounting and company secretarial duties of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor's degree in Professional Accountancy. He has extensive experiences in auditing, financial planning and analysis and accounting.

The Company's principal share registrar and transfer office is TMF (Cayman) Ltd., whose address is at 2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands.

The share registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(I) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 3508, 35th Floor, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong for a period of 14 days from the date of this circular:

1. this circular;
2. the memorandum and articles of association of the Company;
3. the published annual reports of the Company containing audited consolidated financial statements of the Company for the years ended 31 December 2018 and 2019;
4. the published interim results announcement of the Company for the six months ended 30 June 2020;
5. the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular; and
6. the material contracts referred to in the paragraph headed “Material Contracts” in this appendix.