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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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.

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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)

### (1) MAJOR AND CONNECTED TRANSACTION PROVISION OF LOAN AND (2) NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and  
Independent Shareholders



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Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 21 of this circular.

A notice convening the EGM to be held at Unit 3508, 35/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 24 June 2021 at 12:00 noon or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, is set out on pages 48 to 50 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire.

#### PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spread of the COVID-19 epidemic, the following precautionary measures will be implemented at the EGM:

- Compulsory temperature checks;
- Compulsory wearing of surgical face masks; and
- No provision of refreshments and/or souvenirs.

Any person who does not comply with the precautionary measures may be denied entry to the EGM venue. The Company would like to encourage Shareholders to consider appointing the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

*This circular will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.chinawty.com](http://www.chinawty.com).*

4 June 2021

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 7 May 2021 in relation to the Loan Agreement and the Loan contemplated thereunder
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China VAST”	China VAST Industrial Urban Development Company Limited (中國宏泰產業市鎮發展有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange with stock code 6166
“China VAST Group”	China VAST and its subsidiaries
“Company”	China Wan Tong Yuan (Holdings) Limited (中國萬桐園(控股)有限公司), an exempted 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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held on 24 June 2021 for the Independent Shareholders to consider, and if thought fit, approve the Loan Agreement and the Loan contemplated thereunder
“Group”	the Company and its subsidiaries
“Guarantee”	a guarantee and indemnity provided by the Guarantor and in favour of the Company to secure the payment of all sums outstanding under the Loan Agreement and the performance of China VAST of all its obligations under the Loan Agreement pursuant to a deed of guarantee entered into between the Company as lender and the Guarantor as guarantor on 7 May 2021 (the “ <b>Deed of Guarantee</b> ”)
“Guarantor” or “Profit East”	Profit East Limited (利東有限公司), a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is legally and beneficially owned by Ms. Zhao Ying

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent Board committee of the Company comprising Mr. Cheung Ying Kwan and Mr. Choi Hon Keung, Simon, being all the independent non-executive Directors except Dr. Wong Wing Kuen, Albert who is deemed to have a material interest in the Loan Agreement and the Loan contemplated thereunder by virtue of his position as an independent non-executive director of China VAST, formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Loan Agreement and the Loan contemplated thereunder
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Loan Agreement and the Loan contemplated thereunder
“Independent Shareholders”	Shareholders other than Tai Shing International Investment Company Limited, Ms. Zhao Ying and their respective associates
“JV Cemetery 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), the details of which are set out in the announcement and circular of the Company dated 30 June 2020 and 24 August 2020, respectively
“Latest Practicable Date”	2 June 2021, 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
“Loan”	the loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to be made available to China VAST by the Company on the terms and subject to the conditions set out in the Loan Agreement
“Loan Agreement”	the loan agreement entered into between the Company as lender and China VAST as borrower dated 7 May 2021 relating to the Loan

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## DEFINITIONS

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“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“The Hope Trust”	an irrevocable discretionary trust with TMF (Cayman) Ltd. as trustee for the benefit of Ms. Zhao Ying and her issue. Ms. Zhao Ying is the sole settlor and sole member of The Hope Trust’s protective committee, and is the founder of The Hope Trust who can influence how the trustee exercises its discretion under Part XV of the SFO
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

\* *For Identification Purpose Only*



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)**

*Non-executive Director:*

Ms. Zhao Ying (*Chairman*)

*Executive Directors:*

Ms. Li Xingying

Ms. Wang Wei

Mr. Huang Peikun

*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

4 June 2021

*To the Shareholders*

Dear Sir/Madam,

**(1) MAJOR AND CONNECTED TRANSACTION  
PROVISION OF LOAN  
AND  
(2) NOTICE OF EGM**

**1. INTRODUCTION**

Reference is made to the Announcement in relation to the Loan.

The primary purpose of this circular is to provide you with, among other matters, (i) details of the Loan Agreement and the Loan contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Loan Agreement and the Loan contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent

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## LETTER FROM THE BOARD

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Shareholders in relation to the Loan Agreement and the Loan contemplated thereunder; (iv) other information required to be included in this circular under the Listing Rules; and (v) a notice convening the EGM.

### 2. THE LOAN AGREEMENT

The principal terms of the Loan Agreement are set out as follows:

#### **Date**

7 May 2021

#### **Parties**

1. the Company, as lender
2. China VAST, as borrower

As at the Latest Practicable Date, Ms. Zhao Ying was a Director and was, through The Hope Trust, interested in 700,000,000 Shares, representing 70% of the issued share capital of the Company. She was also, through The Hope Trust and Profit East, interested in an aggregate of 1,221,565,664 shares of China VAST, representing 73.98% of the issued share capital of China VAST. Therefore, Ms. Zhao Ying is a controlling shareholder of both the Company and China VAST. Accordingly, China VAST is a connected person of the Company under Chapter 14A of the Listing Rules.

#### **Subject Matter**

Pursuant to the Loan Agreement, the Company has conditionally agreed to provide the Loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to China VAST for a term of one year at an interest rate of 12% per annum.

Principal Amount : RMB100,000,000 (or its equivalent in Hong Kong dollars)

The Group intends to fund the Loan with its internal resources.

Purpose : All amounts borrowed by China VAST under the Loan shall be used for general working capital and shall not be used for any other purposes.

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## LETTER FROM THE BOARD

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Repayment Date : The date falling twelve (12) months after the drawdown date or such other date as agreed in writing between China VAST and the Company (the “**Repayment Date**”).

Should the parties agree to extend the Repayment Date beyond twelve (12) months after the drawdown date, the Company will re-comply with all relevant Listing Rules requirements, including the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Interest Rate : Twelve percent (12%) per annum (the “**Interest Rate**”), payable on the Repayment Date.

Drawdown Date : A date set down in a duly completed drawdown notice and not later than 60 days from the date of the Loan Agreement (or such later date as may be agreed by the parties).

Drawdown : On the drawdown date, the Company (through itself or its designated nominee(s)) shall make available, and China VAST (or its designated nominee(s)) shall draw, the entire amount of the Loan, which shall be wholly denominated in RMB or HK\$, or partly denominated in HK\$ and partly denominated in RMB. The Loan is not a revolving loan.

If any part of the Loan is to be made in the PRC in RMB, that part may be implemented by way of an entrustment loan to China VAST or its designated nominee(s) in accordance with PRC laws and the drawdown shall refer to the drawdown payment to a mutually agreed financial institution.



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## LETTER FROM THE BOARD

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Conditions Precedent : The obligation of the Company to make the Loan is subject to the fulfilment of the following conditions precedent no later than the drawdown date:

- (1) The representations and warranties of China VAST contained in the Loan Agreement shall be true and correct in all material respects on and as of the drawdown date, and no event of default shall have occurred and be continuing; and China VAST shall be in compliance in all material respects with all terms and conditions set forth in the Loan Agreement.
- (2) The approval by the Independent Shareholders of the Loan, the Loan Agreement and the transactions contemplated thereunder at the EGM in accordance with, and all other consents and acts required under, the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange.
- (3) The compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance at any time on or prior to the drawdown date in relation to the Loan (whether applicable to the Company or China VAST).
- (4) (If required) all requisite waivers, consents and approvals from any relevant government authorities or regulatory authorities or other relevant third parties in connection with the Loan, the Loan Agreement and the transactions contemplated thereunder having been obtained.

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## LETTER FROM THE BOARD

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- (5) The Guarantee being executed and delivered by the parties thereto, the obligations of the Guarantor thereunder having become and remaining unconditional in accordance with its terms, and the Guarantee not having been terminated in accordance with its terms or otherwise.
- (6) Such other documents relating to any of the matters contemplated in the Loan Agreement as the Company may reasonably request.

To the extent permitted by applicable laws and regulations, all the conditions precedent set forth above may be waived (including an extension of time for fulfilment of such conditions precedent) by the Company in its sole and absolute discretion.

As at the Latest Practicable Date, the Company understands that save for conditions (2) and (4) above, all the other conditions precedent have been satisfied. The Company understands that save for the Independent Shareholder's approval of the Loan Agreement and the Loan contemplated thereunder, there are no other requisite waivers, consents or approval from any relevant government authorities or regulatory authorities or other relevant third parties required in connection with the Loan.

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## LETTER FROM THE BOARD

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Repayment : China VAST shall repay or pay the principal of the Loan and all accrued interest on the Loan in full on the Repayment Date.

Notwithstanding the foregoing and without prejudice to the parties' right to mutually agree in writing on any other date as the Repayment Date, at any time before the Repayment Date, the Company may at its absolute discretion deliver to China VAST a request in writing (the "**Early Repayment Request**") at least one calendar month in advance of the intended date of early repayment of the principal of the Loan and all accrued interest on the Loan in full or in part, upon receipt of which China VAST shall have ten (10) business days (or any other period as agreed between the parties) to consent to the Early Repayment Request and make such early repayment on the date set out in the Early Repayment Request.

Prepayment : China VAST is entitled to make early repayment of the Loan in full or in part to the Company before the Repayment Date by giving to the Company not less than one month's prior written notice, specifying the amount to be repaid and the date on which the early repayment is to be made, and China VAST shall, on the date of early repayment, pay to the Company all accrued interest on the amount to be early repaid. Any prepayment notice given by China VAST under any provision of the Loan Agreement shall be irrevocable and China VAST shall be bound to make a prepayment in accordance therewith.

Default Interest : In the event that, and for so long as, any event of default shall have occurred and be continuing, the outstanding principal balance of the Loan and, to the extent permitted by law, overdue interest in respect of the Loan, shall accrue interest at the Interest Rate plus 3% per annum, calculated from the date such payment was due without regard to any grace or cure periods contained in the Loan Agreement up to the date of actual payment. Any default interest accruing shall be immediately payable by China VAST on demand by the Company.

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## LETTER FROM THE BOARD

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Guarantee : The Guarantor shall provide the Guarantee in favour of the Company to secure the payment of all sums outstanding under the Loan Agreement and the performance of China VAST of all its obligations under the Loan Agreement.

### **3. BASIS OF DETERMINATION OF TERMS OF THE LOAN**

The terms of the Loan (including the principal amount and interest rate of the Loan) are agreed upon by the parties after arm's length negotiations and having regard to the prevailing market terms (including terms of loans of comparable duration and nature), the financial background of China VAST, commercial practices and the Guarantee provided by the Guarantor.

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## LETTER FROM THE BOARD

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In the course of determination of the terms of the Loan, the Company has considered the prevailing market terms by conducting researches on and making references to comparable loan transactions announced recently in 2021 by other listed companies, including interest rates, terms and whether any guarantee or collateral is provided. The Company has taken into account the terms of other loan transactions, in particular, the interest rates of loan transactions with a term of 12 months; and is of the view that interest rate available to the Company is no less favourable than those provided by lenders in the referenced loan transactions. Set out below are the principal terms of the comparable loan transactions announced by other companies listed on the Stock Exchange with a term of 12 months to which the Group has made reference:

	<b>Date</b>	<b>Company (Stock Code)</b>	<b>Principal Amount</b>	<b>Interest Rate (per annum)</b>	<b>Guarantee or Collateral</b>
1.	22 February 2021	Kunming Dianchi Water Treatment Co., Ltd. (3768)	RMB300 million	8.5%	No
2.	22 February 2021	Midland IC&I Limited (459)	HK\$12.5 million	9%	Mortgage
3.	23 February 2021	CASH Financial Services Group Limited (510)	HK\$16 million	11%	Personal guarantee and legal charge
4.	25 February 2021	Shi Shi Services Limited (8181)	HK\$24 million (initially HK\$35 million)	10%	Mortgages
5.	4 March 2021	Sparkle Roll Group Limited (970)	HK\$58 million	6.5%	Charge and personal guarantee
6.	8 March 2021	Hong Kong Finance Group Limited (1273)	HK\$10 million	13.8%	Mortgage
7.	16 March 2021	Chong Kin Group Holdings Limited (1609)	HK\$40 million	18%	Share pledge and personal guarantee
8.	17 March 2021	PPS International (Holdings) Limited (8201)	RMB10 million	18%	No
9.	19 March 2021	Midland IC&I Limited (459)	HK\$34 million	10%	Personal guarantee and mortgage
10.	22 March 2021	Sparkle Roll Group Limited (970)	HK\$32 million	7%	Personal guarantee
11.	24 March 2021	Silver Grant International Holdings Group Limited (171)	RMB135 million	15%	Mortgage and share charge
12.	31 March 2021	Power Financial Group Limited (397)	HK\$18 million	14% for the 1st month/13% from the 2nd to 12th month	Mortgage and personal guarantee
13.	15 April 2021	Rykadan Capital Limited (2288)	CAD6,400,000 (equivalent to approximately HK\$39.7 million)	12.5%	Mortgage and personal and corporate guarantee
14.	28 April 2021	Art Group Holdings Limited (565)	RMB250 million	7.5%	Corporate guarantee and share charge
15.	3 May 2021	Power Financial Group Limited (397)	HK\$60 million	10.5%	Mortgage

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## LETTER FROM THE BOARD

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The Company has also considered the financial capability of China VAST, based on the major financial indicators as disclosed in its audited consolidated financial results for the year ended 31 December 2020. In addition, the Company has also considered the repayment plan based on a profit projection and cashflow analysis of the China VAST Group for the three years ending 31 December 2023 provided by China VAST. The Company was therefore satisfied that the terms of the Loan Agreement fairly and appropriately reflects the good repayment capability and relatively mild credit risk exposure of the Company in terms of the Loan. The Board has also taken into account the Guarantee provided by the Guarantor, which further reduces the Company's exposure to default risks under the Loan.

Furthermore, the management of the Company has, based on its experience in the capital market and with the assistance of its professional advisers, negotiated with China VAST on an arm's length basis having regard to relevant market templates and loan transaction precedents. Hence, the Company is of the view that the terms of the Loan were agreed in line with commercial practices.

Based on the above considerations, taken as a whole, the Company is of the view that the terms of the Loan were determined after arm's length negotiations and are consistent with prevailing market terms.

#### **4. FINANCIAL EFFECT**

##### **Assets**

The Loan will be recorded as loan receivables under current assets of the Company. Upon drawdown of the Loan, cash of the Group will be decreased by RMB100,000,000 and loan receivable of the Group will be increased by the same amount, the total assets of the Group will remain unchanged.

##### **Liabilities**

The drawdown of the Loan is not expected to have any influence on the liabilities of the Group.

##### **Earnings**

The Group is expected to recognise an interest income of RMB12,000,000 following the drawdown of the Loan and until the Repayment date, assuming there is no early repayment.

Save as disclosed above, there would be no material effect on the Group's assets and liabilities and earnings as a result of the Loan Agreement and the Loan contemplated thereunder.

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## LETTER FROM THE BOARD

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### 5. REASONS FOR AND BENEFITS OF THE PROVISION OF THE LOAN

In entering into the Loan Agreement, the Company has considered a number of factors, including but not limited to the Group's cash and cash on hand, the Group's capital needs in the next 12 months, the financial and business conditions and credit profile of China VAST and the financial position of the Guarantor and the Guarantee.

#### **The Amount and Intended Use of Idle Funds**

As disclosed in the annual report of the Company published on 16 April 2021, as at 31 December 2020, the Company had bank balances and cash of approximately RMB197.6 million. As at 31 December 2020, the gearing ratio of the Group, being total liabilities to total assets, was 32.9%, which indicates the Group's healthy liquidity position. The Group also had no material contingent liabilities as at 31 December 2020. Although the Group has been actively seeking business opportunities to expand its burial services business, including but not limited to liaising with relevant local governments in respect of a partnership in relation to the development of the Group's burial services, as at the Latest Practicable Date, no major investment target has been identified other than the JV Cemetery Project. As at the Latest Practicable Date, the total commitment for the JV Cemetery Project from the Group was expected to be RMB76.7 million, among which RMB38.5 million has already been paid by the Group and the remaining investment of RMB38.2 million (the "**Remaining JV Commitment**") is expected to be paid by the Group in the next 12 months.

In addition, due to the outbreak of the COVID-19 pandemic since 2020, the economic environment has generally been adversely affected and the Group has therefore adopted a more prudent approach towards significant investments and mergers and acquisitions. On such basis, the Group has not identified any quality and attractive investments opportunities consistent with the business plan, development strategy and risk appetite of the Group for the utilization of its idle funds.

After taking into account the Company's current capital commitment and the Remaining JV Commitment, and the Company's idle funds for which it has not identified any investment target or operational commitments, it is the Board's view that the Loan (which is on normal commercial terms) would enable the Company to attain better utilization of the idle funds and generate reasonable return for its idle funds pending deployment of such funds for the Group's business development needs after the maturity of the Loan.

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## LETTER FROM THE BOARD

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### **Interest Income Generated from the Loan**

The Group would like to seize the opportunity to make short-term investment with its idle funds before it can identify potential investment opportunities in order to obtain greater returns for the Shareholders. The Loan will provide interest income to the Group at an interest rate higher than those available to the Group under short-term deposits and low-risk wealth management products. The Loan is a one-year short-term loan with an interest rate of 12% per annum, with the benefit of the Guarantee provided in favour of the Company. The Directors consider that the 12% annual interest rate of the Loan is evidently higher than the interest rate available to the Group for placing 12-months' time cash deposits with commercial banks in the PRC and/or Hong Kong (ranging from 0.07% to 1.95% per annum as in May 2021) and the benchmark interest rate promulgated by the People's Bank of China for fixed deposits of one year in the PRC of 1.50% per annum, as at the Latest Practicable Date. The Group may obtain a higher interest income through the Loan to increase the rate of return on its cash and cash equivalents, thereby improving its investment income and return to Shareholders.

Based on the budget of the Group, taking into account the bank balances and cash of the Company and the position of working capital sufficiency for the next 12 months, the Group considers that the provision of the Loan will not affect the working capital or daily operations of the Group. The Group currently has no intention to seek, or demand for, additional loans to finance its daily operations during the term of the Loan Agreement. The Directors have also considered that the Group is not engaged in the business of securities trading and investment nor money lending, and were of the view that the Loan represents a standalone opportunity presented to the Group to utilize its idle fund with an aim of improving the return from its idle funds. Taking into account the above-mentioned factors and the Directors' view that the risk of default of China VAST is remote after assessing the China VAST Group's financial condition through due diligence, the Company considers that the Loan would enable the Company to obtain a substantially higher interest income with reasonable risks exposure, which would, on balance, represent a more attractive option to the Company in utilizing its idle funds as compared with placing short-term deposits at banks or investing in low-risk wealth management products.



**Credit risks and Exposure of the Company**

***The Borrower's repayment capability***

The major risk associated with the Loan is the potential default of payment of China VAST. Therefore, before entering into the Loan Agreement, the Directors had also conducted due diligence and evaluation on the financial conditions of and credit risk assessment on the China VAST Group. The Company has considered, (i) that based on the consolidated audited financial statements as at 31 December 2020 of the China VAST Group, the net assets value and net current assets value of the China VAST Group amounted to approximately RMB6.2 billion and RMB3.8 billion respectively; and (ii) the cashflow and business portfolio of China VAST.

Based on the Company's due diligence enquiries and review of documents and/or information, to the best of the knowledge of the Company, China VAST has a good credit history with sizable assets and the Directors considered the risk of default by China VAST is remote.

***The Guarantee***

The Board has also taken into account the Guarantee provided by the Guarantor, who holds 73.69% of the shares of China VAST, a company the shares of which are listed on the Stock Exchange, and which has a market capitalisation of approximately HK\$5.0 billion as at the Latest Practicable Date (based on the average closing price per share for the immediately preceding five trading days). The Company has also conducted evaluation on the financial conditions of the Guarantor. In particular, the Company has taken into account that, based on the unaudited management accounts of the Guarantor as at 31 December 2020, the total assets and net assets of the Guarantor amounted to approximately HK\$4.6 billion and HK\$4.4 billion, respectively. In addition, the Directors noted that the Guarantor had dividend income of more than approximately HK\$190 million for each of the three years ended 31 December 2020. The Company also notes from China VAST's public announcement that a final dividend of HK\$0.18 per share was proposed for the year ended 31 December 2020 and passed by China VAST's shareholders, under which the Guarantor will receive approximately HK\$219 million. Pursuant to the Guarantee, the Guarantor provides an unconditional and irrevocable guarantee in favour of the Company for the payment of all sums outstanding under the Loan Agreement and the performance of China VAST of all its obligations under the Loan Agreement. The Guarantor also provides an unconditional and irrevocable indemnity to the Company for all losses, liabilities, damages, costs and expenses whatsoever arising out of any failure of China VAST in the due and punctual observance of its obligations under the Loan Agreement. The Directors will properly monitor the financial conditions of the Guarantor and exercise its information right in accordance with the terms and conditions of the Loan Agreement so as to ensure that the Company's interest is protected. Taking into account the financial capability of the Guarantor set out above

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## LETTER FROM THE BOARD

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and the Company's information rights under the Loan Agreement, the Directors are of the view that the Guarantee is sufficient to protect the Company's interest in the event that China VAST defaults.

### *Limited credit exposure and predictable returns of the Loan*

Given the non-revolving nature and twelve-month term of the Loan, the Company has a relatively high certainty of the credit exposure of the Loan. The credit risk of advancing the Loan is further reduced by the Guarantee and the indemnity thereunder.

As compared to other investment opportunities, such as equity investments which generally have longer financial return cycle and high-yield debts which generally have higher default risks, the Loan provides a more predictable interest income and higher certainty in terms of timeline of capturing the interest income.

### **The Directors' view**

Based on the above, despite the Loan is not in the ordinary and usual course of business of the Company, the Directors (including the disinterested independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that the Loan is on normal commercial terms, and that the terms of the Loan Agreement and the Loan contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As (i) Ms. Zhao Ying (chairman of the Company and a non-executive Director) is a non-executive director of China VAST; (ii) Ms. Wang Wei (an executive Director) is daughter of Ms. Zhao Ying and an executive director of China VAST; (iii) Mr. Huang Peikun (an executive Director) is an executive director of China VAST; and (iv) Dr. Wong Wing Kuen, Albert (an independent non-executive Director) is an independent non-executive director of China VAST; each of the above-mentioned Directors is deemed to have a material interest in the Loan Agreement and the Loan contemplated thereunder and has accordingly abstained from voting on the resolution(s) of the Board in connection with the Loan Agreement and the Loan contemplated thereunder.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the other Directors have or are deemed to have a material interest in the Loan Agreement and the Loan contemplated thereunder.

## **6. 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.

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## LETTER FROM THE BOARD

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### Information of China VAST

China VAST is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6166). It is one of the pioneer service providers in the planning, development and operation of large-scale industrial towns (產業市鎮) in China. The China VAST Group is principally engaged in the business of industrial towns development, property development and property leasing.

As at the Latest Practicable Date, Ms. Zhao Ying was a controlling shareholder and the ultimate beneficial owner of China VAST and was through The Hope Trust and Profit East interested in an aggregate of 1,221,565,664 shares of China VAST, representing 73.98% of the issued share capital of China VAST. China VAST is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

### Information of the Guarantor

The Guarantor is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is directly and ultimately and beneficially owned by Ms. Zhao Ying. The Guarantor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, the Guarantor held 1,216,812,664 shares of China VAST (representing approximately 73.69% of the issued share capital of China VAST) and is principally engaged in investment holding.

## 7. INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

In order to properly mitigate the risks associated with the Loan, the Group will implement the following internal control and risk management measures:

- (1) The Company will designate specific personnel of its accounting/compliance department to monitor and report the liquidity status of China VAST to the management of the Company on a monthly basis. The designated personnel will regularly check the public disclosures of China VAST (including but not limited to annual and interim results and any announcements that may indicate a potentially significant business change) so as to identify any material corporate actions taken by China VAST, and he/she will also be responsible for the communications between China VAST and the Company so as to ensure that information is transmitted seamlessly between the parties.
- (2) China VAST has, at the request of the Company, undertaken to use commercially reasonable endeavours to provide assistance for the purpose of fulfilling the Company's internal control measures, including but not limited to the provision of relevant financial documents and other information, provided that such assistance will not violate any applicable laws and regulations. The Company intends to request China VAST to provide relevant financial and/or business documents or information that the Company may reasonably request to assist it with its assessment of China VAST's financial condition. If the circumstance so

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## LETTER FROM THE BOARD

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warrants and where appropriate, the Company will invite the management of China VAST for a consultation in order to ensure that the Company has sufficient understanding towards China VAST and the information provide by it. The Company considers that the above measures would help the Company in ensuring that China VAST will be able to repay the Loan in a timely manner.

- (3) The Guarantor has entered into the Deed of Guarantee to provide a guarantee and indemnity in favour of the Company for the liabilities in connection with all the contractual obligations of China VAST under the Loan Agreement. This further mitigates the risks of the Company in providing the Loan. The Guarantor has also provided a similar undertaking in relation to its provision of commercially reasonable assistance to the Company with a view of fulfilling its internal control measures, provided that such assistance will not violate any applicable laws and regulations. This would benefit the Company as the Company may regularly monitor the financial condition and liquidity position of the Guarantor and hence provide more assurance to the Company in respect of the recoverability of the Loan.
- (4) The senior management of the Company will regularly report the status of the Loan to the independent non-executive Directors (other than Dr. Wong Wing Kuen, Albert who is deemed to have a material interest in the Loan Agreement and the Loan contemplated thereunder by virtue of his position as an independent non-executive director of China VAST) and will seek their view in the event that any potential issue in respect of the Loan and/or the Guarantee arises. Where necessary, the Company will seek advice from professional parties such as legal advisers and/or auditors.
- (5) the Company is vested with the right under the Loan Agreement to request early repayment of the Loan before the Repayment Date by giving the Early Repayment Request one month in advance, upon the receipt of which China VAST may within 10 business days elect whether to consent to such request. This provides a formal mechanism for negotiation and an opportunity to the Company to potentially recover the Loan before the Repayment Date as agreed in the Loan Agreement. This may afford both parties with flexibility to make arrangement for their respective capital needs taking into account their respective liquidity position.

### 8. LISTING RULES IMPLICATIONS

As the Loan constitutes an advance to an entity which exceeds 8% under the asset ratio defined under Rule 14.07(1) of the Listing Rules, pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligation of the Company arises in respect of the Loan.

As at the Latest Practicable Date, Ms. Zhao Ying was a Director and was through The Hope Trust interested in 700,000,000 Shares, representing 70% of the issued share capital of the Company. She was also through The Hope Trust and Profit East interested in an aggregate of 1,221,565,664 shares of China VAST, representing 73.98% of the issued share

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## LETTER FROM THE BOARD

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capital of China VAST. Therefore, Ms. Zhao Ying is a controlling shareholder of both the Company and China VAST. Accordingly, China VAST is a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Loan under the Loan Agreement exceed 25% but all are less than 75%, the Loan Agreement and the Loan contemplated thereunder constitute a major and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules, and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

### **9. INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors except Dr. Wong Wing Kuen, Albert who is deemed to have a material interest in the Loan Agreement and the Loan contemplated thereunder by virtue of his position as an independent non-executive director of China VAST, has been formed to advise the Independent Shareholders on the Loan Agreement and the Loan contemplated thereunder.

Mr. Cheung Ying Kwan and Mr. Choi Hon Keung, Simon, being all the disinterested independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. To the best of knowledge, information and belief of the Directors, no member of the Independent Board Committee has any material interest in the Loan. A letter from the Independent Board Committee is set out on pages 22 to 23 of this circular.

### **10. INDEPENDENT FINANCIAL ADVISER**

First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Loan Agreement and the Loan contemplated thereunder. A letter from the Independent Financial Adviser is set out on pages 22 to 23 of this circular.

### **11. EGM**

The EGM will be convened and held at Unit 3508, 35/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 24 June 2021 at 12:00 noon or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, for the Independent Shareholders to consider and, if thought fit, approve the Loan Agreement and Loan contemplated thereunder.

Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment

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## LETTER FROM THE BOARD

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thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire.

The transfer books and register of members of the Company will be closed from Monday, 21 June 2021 to Thursday, 24 June 2021, both dates inclusive. During such period, no share transfers will be effected. In order to qualify for attending the EGM, all transfer documents, accompanied by 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 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 18 June 2021.

As at the Latest Practicable Date, Tai Shing International Investment Company Limited was beneficially interested in 700,000,000 Shares, representing 70% of the issued share capital of the Company. As Tai Shing International Investment Company Limited was indirectly wholly-owned by TMF (Cayman) Ltd., the trustee of The Hope Trust (a discretionary trust founded by Ms. Zhao Ying who can influence how the trustee exercises its discretion), it and its associates are deemed to have a material interest in and will be required to abstain from voting on the relevant resolution(s) in relation to the Loan Agreement and the Loan contemplated thereunder at the EGM.

Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Loan Agreement and the Loan contemplated thereunder and is therefore required to abstain from voting at the EGM for the relevant resolution(s).

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM shall be voted by poll in accordance with the Listing Rules and the memorandum and articles of association of the Company. The poll results will be announced in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the EGM.

## 12. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular and the letter from the Independent Financial Adviser set out on pages 24 to 38 of this circular. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolution(s) regarding the Loan Agreement and Loan contemplated thereunder at the EGM.

The Directors (including the disinterested independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that although the Loan is not in the ordinary and usual course of business of the Company, it is on normal commercial terms, and the terms of the Loan are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the disinterested independent non-executive Directors

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## LETTER FROM THE BOARD

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whose views are set out in the letter from the Independent Board Committee in this circular) recommend all Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

### 13. FURTHER INFORMATION

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

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

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



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)**

4 June 2021

*To the Shareholders*

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION  
PROVISION OF LOAN**

We refer to the circular of the Company dated 4 June 2021 (the “**Circular**”) to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the transactions under the Loan Agreement are entered into by the Company in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and whether the terms of the Loan are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Loan Agreement.

We wish to draw your attention to the letter from the Board set out on pages 4 to 21 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 24 to 38 of the Circular which contains its opinion in respect of the Loan contemplated under the Loan Agreement.

Having taken into account of the principal factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we consider that although the transactions contemplated under the Loan Agreement are not in the ordinary and usual course of business of the Group, the Loan is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. We are also of the view that the terms of the Loan Agreement are fair and reasonable so far as the Independent



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the transactions contemplated under the Loan Agreement.

Yours faithfully,  
For and on behalf of The Independent Board Committee of  
**China Wan Tong Yuan (Holdings) Limited**

**Mr. Cheung Ying Kwan**  
*Independent non-executive Director*

**Mr. Choi Hon Keung Simon**  
*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from First Shanghai Capital Limited to the Independent Board Committee and the Independent Shareholders, for the purpose of incorporation into this circular.*



**First Shanghai Capital Limited**  
19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

4 June 2021

*To the Independent Board Committee and the Independent Shareholders of  
China Wan Tong Yuan (Holdings) Limited*

Dear Sirs,

### **MAJOR AND CONNECTED TRANSACTION PROVISION OF LOAN**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the provision of Loan, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 4 June 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

As stated in the Announcement, on 7 May 2021, the Company entered into the Loan Agreement with China VAST, pursuant to which the Company has conditionally agreed to provide the Loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to China VAST for a term of one year at an interest rate of 12% per annum.

As at the Latest Practicable Date, Ms. Zhao Ying is a Director and is, through The Hope Trust, interested in 700,000,000 Shares, representing 70% of the issued share capital of the Company. She is also, through The Hope Trust and Profit East, interested in an aggregate of 1,221,565,664 shares of China VAST, representing 73.98% of the issued share capital of China VAST. Therefore, Ms. Zhao Ying is a controlling shareholder of both the Company and China VAST. Accordingly, China VAST is a connected person of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As one or more of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Loan under the Loan Agreement exceeds 25% but all are less than 75%, the Loan Agreement and the Loan contemplated thereunder constitute a major and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules, and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Tai Shing International Investment Company Limited is beneficially interested in 700,000,000 Shares, representing 70% of the issued share capital of the Company. As Tai Shing International Investment Company Limited is indirectly wholly-owned by TMF (Cayman) Ltd., the trustee of The Hope Trust (a discretionary trust founded by Ms. Zhao Ying who can influence how the trustee exercises its discretion), it and its associates are deemed to have a material interest in and will be required under the Listing Rules to abstain from voting on the relevant resolutions in relation to the Loan Agreement and the Loan contemplated thereunder at the EGM.

Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Loan Agreement and the Loan contemplated thereunder and is therefore required to abstain from voting at the EGM for the relevant resolution(s).

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cheung Ying Kwan and Mr. Choi Hon Keung, Simon, being all the independent non-executive Directors except Dr. Wong Wing Kuen, Albert who is deemed to have a material interest in the Loan Agreement and the Loan contemplated thereunder by virtue of his position as an independent non-executive director of China VAST, has been established to advise the Independent Shareholders on the Loan Agreement and the Loan contemplated thereunder. We, First Shanghai Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Loan is on normal commercial terms and that the terms of the Loan Agreement and the Loan contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Loan Agreement is in the interest of the Company and the Shareholders as a whole.

We are independent from, and are not associated with the Company, China VAST, Ms. Zhao Ying and any of their respective associates who are interested or involved in the provision of Loan. Apart from normal professional fees paid to us in connection with this engagement, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party related to the aforesaid transaction. Therefore, for the purpose of Rule 13.84 of the Listing Rules, we consider we are independent to the Company and are accordingly eligible to give independent advice in respect of the Loan Agreement and the Loan contemplated thereunder.

## **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the accuracy of the information, facts and representations supplied, and the opinions expressed to us, by the Group, the Directors and the management of the Group. We have assumed that all statements of belief and intention made by the Directors in the Circular were made after due and careful enquiries. We have also assumed that all information, facts, representations and opinions made or referred to in the Circular were true, accurate and complete at the time they were made and will continue to be true, accurate and complete at the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Group, the Directors and the management of the Group. We have been confirmed by the management of the Group that no material facts have been omitted from the information provided by or referred to in the Circular.

We have assumed such information to be true, accurate and reliable and have not carried out any independent verification on the truth and accuracy of such information, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect. Such relevant information provides us with a basis on which we have been able to formulate our independent opinion.

We consider that we have reviewed sufficient information and documents to reach an informed view, to justify our reliance on the truth and accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. Based on the foregoing, we also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. Details of our steps taken and analyses are set out in this letter.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

### **1. Information on the parties**

#### *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.

According to the 2020 annual report of the Group, the Group recorded revenue and profit attributable to its owners of approximately RMB38.9 million and RMB17.5 million for the year ended 31 December 2020, respectively. The Group also had net current assets of approximately RMB199.6 million and net assets of approximately RMB170.0 million, among which bank balances and cash of approximately RMB197.6 million, as of 31 December 2020. There was no interest bearing loans or other borrowings as of 31 December 2020.

*China VAST*

China VAST is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6166). It is one of the pioneer service providers in the planning, development and operation of large-scale industrial towns (產業市鎮) in China. The China VAST Group is principally engaged in the business of industrial towns development, property development and property leasing.

According to the 2020 annual report of China VAST, it recorded revenue and profit attributable to its owners of approximately RMB2.4 billion and RMB846.5 million for the year ended 31 December 2020, respectively. As of 31 December 2020, China VAST had net current assets and net assets of approximately RMB3.8 billion and RMB6.2 billion, respectively. For the year ended 31 December 2020, net cash generated from operating activities of China VAST amounted to approximately RMB847.6 million. As at the Latest Practicable Date, market capitalisation of China VAST amounted to approximately HK\$5.0 billion.

As at the Latest Practicable Date, Ms. Zhao Ying is a controlling shareholder and the ultimate beneficial owner of China VAST and is through The Hope Trust and Profit East interested in an aggregate of 1,221,565,664 shares of China VAST, representing 73.98% of the issued share capital of China VAST. China VAST is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

*The Guarantor*

The Guarantor is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is directly and ultimately and beneficially owned by Ms. Zhao Ying. The Guarantor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, the Guarantor holds 1,216,812,664 shares of China VAST (representing approximately 73.69% of the issued share capital of China VAST) and is principally engaged in investment holding.

**2. Reasons for and benefits of the provision of the Loan**

As stated in the letter from the Board, in entering into the Loan Agreement, the Company has considered a number of factors, including but not limited to the Group's bank balances and cash on hand, the Group's capital needs in the next 12 months, the financial and business conditions and credit profile of China VAST and the financial position of the Guarantor and the Guarantee.

In particular, according to the letter from the Board, the Group has been actively seeking business opportunities to expand its burial services business, including but not limited to liaising with relevant local governments in respect of a partnership in relation to the development of the Group's burial services. However, since the economic environment has been adversely affected by the COVID-19 pandemic since 2020, as at the Latest Practicable Date, no major investment target had been identified other than the JV

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Cemetery Project. As mentioned in the Group's 2020 annual report, the JV Cemetery Project will be one of the major development projects of the Group in 2021. We have obtained and reviewed the schedule of total investment in the JV Cemetery Project and as at the Latest Practicable Date, total commitment for the JV Cemetery Project from the Group is expected to be approximately RMB76.7 million, among which approximately RMB38.5 million has already been paid by the Group and the remaining investment of approximately RMB38.2 million (the "**Remaining JV Commitment**") is expected to be paid by the Group in the next 12 months.

We were also advised by the Company that apart from considering potential investment opportunities in burial services business, the Group also considered invest in some principal-guaranteed products. However, the Directors were of the view that these products usually have lower interest rates and have fixed terms which will restrict the Group's ability to withdraw its funds before maturity.

After taking into account the Company's current capital commitment and the Remaining JV Commitment, and the Company's idle funds for which it has not identified any investment target or operational commitments, the Board is of the view that the Loan would enable the Company to attain better utilization of the idle funds and generate reasonable return for its idle funds pending deployment of such funds for the Group's business development needs after the maturity of the Loan.

In terms of the Group's financial positions, we note from the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020 that not only had the Group recorded profits over the relevant years, the Group also had abundant cash resources and maintained a healthy financial positions, in which bank balances and cash ranged from approximately RMB189.3 million to approximately RMB197.6 million, net current assets ranged from approximately RMB156.6 million to approximately RMB199.6 million, net assets ranged from approximately RMB128.9 million to approximately RMB170.0 million while there was no interest-bearing loan and borrowings, as of 31 December 2018, 2019 and 2020. We further noted that bank balances and cash accounted for over 90% of the Group's current assets as of 31 December 2018, 2019 and 2020 and apart from the term deposits of approximately RMB53.8 million placed as of 31 December 2020, there was no term deposits as of 31 December 2018 and 2019. Based on the bank statements provided by the Company, we noted that as of 30 April 2021, the Group's bank balances and cash increased to over RMB200 million (31 December 2020: approximately RMB197.6 million).

As further confirmed by the Directors, all of the Loan will be financed by the Group from its surplus fund, such that the working capital and daily operations of the Group will not be affected. It is also confirmed that the Group currently has no intention to seek, or demand for, additional loans to finance its daily operations during the term of the Loan Agreement. The Directors have also considered that the Group is not engaged in the business of securities trading and investment nor money lending, and were of the view that the Loan represents a standalone opportunity presented to the Group to utilize its idle fund with an aim of improving the return from its idle funds.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given the Group has surplus bank balances and cash after considering the estimated Remaining JV Commitment mentioned above, but has not identified any other suitable investment, the Group would like to seize the opportunity to make short-term investment with its idle funds in order to obtain greater returns for the Shareholders. The provision of the Loan would generate significant interest income of RMB12.0 million to the Group during the term of the Loan, which represents approximately 68.4% of the Group's net profit for the year ended 31 December 2020. The Directors are of the view that the Loan will provide interest income to the Group at an interest rate higher than those available to the Group under short-term deposits and low-risk wealth management products and therefore the Group may obtain a higher interest income through the Loan to increase the rate of return on its cash and cash equivalents, thereby improving its return to Shareholders.

We obtained and reviewed the Group's time deposits schedule as of 31 December 2020 and also noted from its 2020 annual report that its bank balances only carried interest at interest rates ranging from 0.30% to 1.95% per annum as at 31 December 2020. Furthermore, as stated in the letter from the Board, interest rates available to the Group for placing 12-months' time cash deposits with commercial banks in the PRC and/or Hong Kong ranged from 0.07% to 1.95% per annum in May 2021. Both of the interest rate ranges are significantly lower than the interest rate of the Loan of 12.0%. We also note that the interest rate of the Loan is considerably higher than the benchmark interest rate specified by the People's Bank of China for fixed deposits of one year as at the Latest Practicable Date of 1.50%.

In relation to the financial and business conditions and credit profile of China VAST, according to the letter from the Board, the Company had conducted due diligence and evaluation on the financial conditions and credit risk assessment on the China VAST Group including reviewing the consolidated audited financial statements as at 31 December 2020 of the China VAST Group (net assets value and net current assets value of the China VAST Group amounted to approximately RMB6.2 billion and RMB3.8 billion as at 31 December 2020), the cash flow as well as understanding the business portfolio of China VAST. Also, to the best of the knowledge of the Company, China VAST has a good credit history with sizable assets.

In respect of the financial positions of the Guarantor, as stated in the letter from the Board, based on the unaudited management accounts of the Guarantor as at 31 December 2020, the total assets and net assets of the Guarantor amounted to approximately HK\$4.6 billion and HK\$4.4 billion, respectively. The Guarantor also had dividend income of more than approximately HK\$190 million for each of the three years ended 31 December 2020. Further, final dividend of HK\$0.18 per share was proposed by China VAST for the year ended 31 December 2020, under which the Guarantor will receive approximately HK\$219 million, subject to shareholders' approval of China VAST.

Last but not least, according to the Loan Agreement, at any time before the Repayment Date, the Company may at its discretion deliver to China VAST an Early Repayment Request to request China Vast for early repayment of the principal of the Loan and all accrued interest on the Loan in full or in part. In our opinion, it provides an option and flexibility to the Group in the context to the Loan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above, we are of the view that the Loan represents an opportunity for the Group to earn a higher rate of return as compared to bank deposits, while still keeping control over the use of funds.

### 3. Principal terms of the Loan Agreement

We have obtained and reviewed the major terms of the Loan Agreement which are summarised as follows:

**Parties** : (1) the Company, as lender  
(2) China VAST, as borrower

As at the Latest Practicable Date, Ms. Zhao Ying was a Director and was, through The Hope Trust, interested in 700,000,000 Shares, representing 70% of the issued share capital of the Company. She was also, through The Hope Trust and Profit East, interested in an aggregate of 1,221,565,664 shares of China VAST, representing 73.98% of the issued share capital of China VAST. Therefore, Ms. Zhao Ying is a controlling shareholder of both the Company and China VAST. Accordingly, China VAST is a connected person of the Company under Chapter 14A of the Listing Rules.

**Principal Amount** : RMB100,000,000 (or its equivalent in Hong Kong dollars) The Group intends to fund the Loan with its internal resources.

**Purpose** : All amounts borrowed by China VAST under the Loan shall be used for general working capital and shall not be used for any other purposes.

**Repayment Date** : The date falling twelve (12) months after the drawdown date or such other date as agreed in writing between China VAST and the Company (the “**Repayment Date**”).

Should the parties agree to extend the Repayment Date beyond twelve (12) months after the drawdown date, the Company will re-comply with all relevant Listing Rules requirements, including the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules.



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**Interest Rate** : Twelve percent (12%) per annum (the “**Interest Rate**”), payable on the Repayment Date.

**Drawdown Date** : A date set down in a duly completed drawdown notice and not later than 60 days from the date of the Loan Agreement (or such later date as may be agreed by the parties).

**Repayment** : China VAST shall repay or pay the principal of the Loan and all accrued interest on the Loan in full on the Repayment Date.

Notwithstanding the foregoing, and without prejudice to the parties’ right to mutually agree in writing on any other date as the Repayment Date, at any time before the Repayment Date, the Company may at its absolute discretion deliver to China VAST a request in writing (the “**Early Repayment Request**”) at least one calendar month in advance of the intended date of early repayment of the principal of the Loan and all accrued interest on the Loan in full or in part, upon receipt of which China VAST shall have ten (10) business days (or any other period as agreed between the parties) to consent to the Early Repayment Request and make such early repayment on the date set out in the Early Repayment Request.

**Prepayment** : China VAST is entitled to make early repayment of the Loan in full or in part to the Company before the Repayment Date by giving to the Company not less than one month’s prior written notice, specifying the amount to be repaid and the date on which the early repayment is to be made, and China VAST shall, on the date of early repayment, pay to the Company all accrued interest on the amount to be early repaid. Any prepayment notice given by China VAST shall be irrevocable and China VAST shall be bound to make a prepayment in accordance therewith.

**Default Interest** : In the event that, and for so long as, any event of default shall have occurred and be continuing, the outstanding principal balance of the Loan and, to the extent permitted by law, overdue interest in respect of the Loan, shall accrue interest at the Interest Rate plus 3% per annum, calculated from the date such payment was due without regard to any grace or cure periods contained in the Loan Agreement up to the date of actual payment. Any default interest accruing shall be immediately payable by China VAST on demand by the Company.

**Guarantee** : The Guarantor shall provide the Guarantee in favour of the Company to secure the payment of all sums outstanding under the Loan Agreement and the performance of China VAST of all its obligations under the Loan Agreement.

#### **4. Comparison with Comparable Transactions**

Despite the terms of loans may vary with difference individual factors including the duration of the loan, securities and/or guarantees attached to the loan as well as the condition of economy, we are of the view that a comparison with similar transactions announced by companies listed on the Stock Exchange would still provide a comprehensive picture of similar transactions and meaningful reference to certain terms in the recent market. Therefore, in order to further assess the fairness and reasonableness of the term, the Interest Rate, the default interest rate and the Guarantee of the Loan, we have used our best endeavour to conduct an independent research from the website of the Stock Exchange on 16 comparable transactions (the “**Comparable Transactions**”) which (i) were announced by companies listed on the Stock Exchange pursuant to the Listing Rules or GEM Listing Rules from 1 February 2021 and up to 7 May 2021, being the date of the Loan Agreement, which in our view represents a sufficient period of time to reflect the prevailing market conditions for conducting such transactions; and (ii) involved the provision of loan(s) (excluding subsequent renewal and extension) to entities/individuals (excluding subsidiaries, joint ventures or commonly controlled entities of the lenders) without securities or collaterals.

Shareholders should note that the business, operations and prospects of the Comparable Transactions may not be identical to those of the Company and we have not conducted any detailed investigation into the respective businesses and operations of the Comparable Transactions. Nevertheless, having considered the Comparable Transactions (i) are the most recent provision of loans published by companies listed on the Stock Exchange; (ii) were all granted on a no securities or collaterals basis; and (iii) provide a comprehensive and reasonable reference as to the practice of companies listed in Hong Kong for conducting similar transactions under the Loan Agreement, we consider, to the best of our knowledge and ability, that the Comparable Transactions are exhaustive



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(a) Term*

Based on the above table, we note that the term of the Comparable Transactions ranged from one month to 36 months, with an average term of approximately 10.55 months. The term of the Loan is within the range of and higher than the average term of the Comparable Transactions.

We also undertook a further analysis in considering only the provision of loan to connected person(s) (the “**Connected Comparable Transactions**”) and note that the term of Connected Comparable Transactions ranged from three months to 12 months, with an average term of approximately six months. The term of the Loan is within the range of and higher than the average term of the Connected Comparable Transactions.

### *(b) Interest Rate*

Based on the above table, we note that the annual (and annualised) interest rate of the Comparable Transactions ranged from approximately 2.67% to 18.00%, with an average annual (and annualised) interest rate of approximately 7.62%. The interest rate of the Loan Agreement of 12.00% is within the range of the interest rate of the Comparable Transactions and is higher than the average interest rate of the Comparable Transactions.

We also that note the annual (and annualised) interest rate of the Connected Comparable Transactions ranged from approximately 2.67% to 8.00%, with an average annual (and annualised) interest rate of approximately 5.42%. The interest rate of the Loan Agreement of 12.00% is higher than the range of interest rate of Connected Comparable Transactions.

Based on the above, we are of the view that the interest rate of the Loan Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

### *(c) Default Interest Rate*

Based on the above table, we note that only six out of 16 Comparable Transactions included default interest rate, ranged from approximately 8.00% to 18.00% and with an average default interest rate of approximately 10.80%. The default interest rate of the Loan Agreement of 15.00% is within the range of the default interest rate of the Comparable Transactions and is higher than the average interest rate of the Comparable Transactions.

There was only one out of four Connected Comparable Transactions included default interest rate of approximately 8.00%, which is lower than the default interest rate of the Loan Agreement.

Based on the above, we are of the view that the default interest rate of the Loan Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

*(d) Guarantee*

Based on the above table, we note that only six out of 16 Comparable Transactions were guaranteed by guarantor to secure repayment. We also noted that none of the Connected Comparable Transactions was granted with guarantee. It is thus considered that the unconditional and irrevocable guarantee provided by the Guarantor in favour of the Company to secure the payment for the payment of all sums outstanding under the Loan Agreement and the performance of China VAST of all its obligations under the Loan Agreement is a favourable term to the Company. In our view, the Guarantee provides protection to the Group as regards its credit risk associated with the Loan.

Based on the aforesaid, we are of the view that the terms of the Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

**5. Business and financial information of China VAST and the Guarantor**

*China VAST*

According to the letter from the Board, the Company had conducted due diligence and evaluation on the financial conditions and conducted credit risk assessment on the China VAST Group. Based on the Company's due diligence enquiries and review of documents and/or information, to the best of knowledge of the Company, China VAST has a good credit history with sizable assets and the Directors considered the risk of default by China VAST is remote.

We noted from annual reports of China VAST that it is a sizable company with substantial financial resources. According to the annual reports of China VAST, for the last five consecutive financial years, it recorded net current assets ranged from approximately RMB3.8 billion to approximately RMB6.7 billion and net assets ranged from approximately RMB3.4 billion to approximately RMB6.2 billion with annual revenue ranged from approximately RMB2.0 billion to approximately RMB4.0 billion and net profit ranged from approximately RMB668.4 million to approximately RMB1,121.3 million. In particular, for the year ended 31 December 2020, revenue and profit of China VAST amounted to approximately RMB2.4 billion and approximately RMB844.6 million respectively. It also had net current assets and net assets of approximately RMB3.8 billion and approximately RMB6.2 billion, as of 31 December 2020, respectively. We further noted from its announcement dated 8 January 2021 that China VAST had extended maturity date of its convertible notes and notes of aggregate outstanding principal amount of US\$96 million to 2022. In other words, cash position of China VAST would be more favourable. China VAST also had ample cash resources of which bank balances and cash and time deposits with maturity over three months amounted to approximately RMB1.3 billion and approximately RMB957 million as of 31 December 2019 and 2020, respectively.

We have obtained and reviewed the repayment and drawdown schedule of interest-bearing liabilities of China VAST and we are not aware of any material irregularities which cause us to doubt its credibility. We also noted from its annual

report and to the best knowledge of the management of the Group, there was no material event of default of liabilities by China VAST for the last five consecutive financial years.

***The Guarantor***

The Guarantor is an investment holding company and solely holds 73.69% of the shares of China VAST with no business operation. To the best knowledge of the management of the Group, there was no material event of default of liabilities by the Guarantor for the last five consecutive financial years. As stated in the letter from the Board, based on the unaudited management accounts of the Guarantor as at 31 December 2020, it had total assets and net assets of approximately HK\$4.6 billion and HK\$4.4 billion, respectively. It also had dividend income of more than approximately HK\$190 million for each of the three years ended 31 December 2020. Further, final dividend of HK\$0.18 per share was proposed by China VAST for the year ended 31 December 2020, under which the Guarantor will receive approximately HK\$219 million, subject to shareholders' approval of China VAST. We have also been provided with the bank statements of the Guarantor as of 30 April 2021 and note that the balances could sufficiently cover the principal of the Loan and the interest thereon in the event that China VAST defaults.

On the basis of the above and assuming no material change to China VAST's and the Guarantor's financial positions, we consider that China VAST, taking into account the Guarantee provided by the Guarantor, has sufficient financial resources and substantial backing from the Guarantor to repay the Loan and the interest thereon.

**6. Financial effects of the provision of Loan**

***Earnings***

The Group will be entitled to earn interest income of RMB12.0 million during the term of the Loan, representing approximately 68.4% of the Group's net profit for the year ended 31 December 2020, therefore there would be a positive impact on the Group's future earnings.

***Net asset value***

Since the Loan will be recorded as loan receivables and at the same time decrease the bank balances and cash of the Group, it is expected that the provision of the Loan will not have material impact on net assets of the Group.

***Liquidity***

The Company intends to finance the Loan from its internal resources. We have obtained bank statements of the Group as of 30 April 2021 and noted that the Group had bank balances of over RMB200 million as of 30 April 2021. The Group's cash and cash equivalent is expected to decrease by RMB100 million subsequent to the provision of the Loan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the provision of the Loan.

In view of the above financial effects, in particular, the Loan would enable the Group to earn additional interest income and accordingly enhance its earnings, we consider that the overall financial effects on the Group as a result of the Loan is acceptable.

### **7. The Internal Control Measures**

According to the letter from the Board, in order to properly mitigate the risks associated with the Loan, the Group will implement certain internal control and risk management measures including designating specific personnel of its accounting/compliance department to monitor and report the liquidity status of China VAST to the management of the Group on a monthly basis and the senior management of the Company will regularly report the status of the Loan to the independent non-executive Directors (other than Dr. Wong Wing Kuen, Albert who is deemed to have a material interest in the Loan Agreement and the Loan contemplated thereunder by virtue of his position as an independent non-executive director of China VAST) and will seek their view in the event that any potential issue in respect of the Loan/or and the Guarantee arises.

We are of the view that the above measures enable the Group to govern the conduct of the transaction and safeguard the interests of the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the terms of the Loan is on normal commercial terms and that the terms of the Loan Agreement and the Loan contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Loan Agreement, although is not conducted in ordinary and usual course of business of the Group, is in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions be proposed at the EGM to approve the Loan Agreement.

Yours faithfully,  
For and on behalf of  
**First Shanghai Capital Limited**

**Kenneth Yam**  
*Director*  
*Corporate Finance*

*Mr. Kenneth Yam is a licensed person registered with the Securities and Futures Commission of Hong Kong and the responsible officer of First Shanghai Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. Mr. Kenneth Yam has over eight years of experience in corporate finance industry.*



## 1. FINANCIAL INFORMATION

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

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>

Annual report for the year ended 31 December 2020 (pages 64 to 145):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0416/2021041600019.pdf>

## 2. INDEBTEDNESS

### Lease liabilities

The Group has unguaranteed lease liabilities (comprising both current and non-current liabilities) of approximately RMB416,000 as at 30 April 2021, which is secured by the Group's rental deposits of approximately RMB182,000.

Except for as disclosed above and apart from normal trade payables in the ordinary course of business, as of 30 April 2021, 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, recognised 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 Loan Agreement and the Loan 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 date of publication of this circular.

#### 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 2020 (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 actively strengthening its market position in Langfang, and has been further optimizing the environment of the cemeteries and providing more cosy, diversified and humanized services, which enables the Group to satisfy different demands and preferences of our customers. Through the Loan Agreement entered into with China VAST, it is believed that such will, with no prejudice to the business development of the Group in mind, provide additional income to the Group, and which can be used for the upgrade and transformation and the plan for the further development of the cemeteries, with more professional and diversified extension services can be further added to our funeral services. The Group considers that the provision of the loan will not affect the working capital of daily operational of the Group.

In the face of restrictions and impact of the severe epidemic, apart from the JV Cemetery Project, the Group has not identified any suitable strategic alliance partners and merger and acquisition opportunities for further development. The Company's idle funds for which it has not identified any investment target in operational commitments. The Group would like to seize the opportunity to take advantage of the capital and entered into the Loan Agreement with China VAST to increase additional income for further development of cemetery and burial services of the Group and to consolidate the Company's market position in Langfang. The Group has continued to adhere to the belief of modern, green and humanistic funeral, give full play to its development in modern burial business and establish on the basis of enhanced management, services and operating standard to foster a solid foundation for the continuing and sustainable development of the business. Leveraging on such additional income, the Group wish to speed up the upgrade and transformation of the environment and facilities of cemeteries and diversify and extend its service and offerings, and to focus on upgrading our "Cloud Tomb-sweeping (雲祭掃)" services. The Group believes it is able to cater to different preferences of customers by more comprehensively improving its planning and service qualities which would in turn achieve its service pledge of "satisfaction for people from both worlds", in order to further strengthen and consolidate its market position in Langfang.

As disclosed in the 2020 Annual Report of the Company, the revenue of the Group amounted to RMB38.9 million for the year ended 31 December 2020. Gross profit and net profit margin for the Group amounted to RMB32.9 million and RMB17.5 million respectively for the year ended 31 December 2020. Total assets and total equity amounted to RMB253.4 million and RMB170.0 million respectively as at 31 December 2020.

The Company entered into the Loan Agreement with China VAST on 7 May 2021, pursuant to which the Company has conditionally agreed to provide the Loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to China VAST for a term of one year at an interest rate of 12% per annum. In entering the Loan Agreement, the Company has considered a number of factors, taking into account the bank balances and cash of the Company and the position of working capital sufficiency for the next 12 months, the Group considers that the provision of the Loan will not affect the working capital or daily operations of the Group. The Group believes that the Loan would enable the Company to attain better utilization of the idle funds and generate reasonable return for its idle funds pending deployment of such funds for the Group's business development needs after the maturity of the Loan.

As the Group operates cemetery in Langfang, any significant downturn of the regional economy or changes in local regulatory regime or burial practices could materially and adversely affect our business, financial condition and results of operations but no material foreseeable impact has been identified in 2021 except the impact from the pandemic. However, the Group focused on optimizing and upgrading the "Cloud Tomb-sweeping (雲祭掃)" service, and launched various convenient measures which turned the impact from the COVID-19 pandemic into a development opportunity by reflecting on the situation and moving forward with determination and solidarity, thereby supporting everyone through such a challenging and extraordinary year.

In 2021, in the face of restrictions and impact of the severe epidemic, the Group has not identified any suitable strategic alliance partners and merger and acquisition opportunities for further development. There will be uncertainties associated with the expansion of the business. Successful implementation of expansion strategies may be affected by various factors such as our ability to identify suitable business opportunities or expansion plans on our cemetery, to obtain government and other third-party consents, permits and licenses that are required to operate our business.

In 2021, the Group will continue its commitment in strengthening its market position in Langfang by continuous cooperation with and supporting the local government's city development plan, providing funeral services and columbarium storage services. The Group will also continue to strive for continuous innovation and upgrade of the environment and operation of the cemeteries, actively provision of diversified and extended services and offerings, in order to establish a more stable position for the Company and create greater value for the 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) Director's and chief executive's interests in the Shares and underlying shares of the Company**

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed directors and chief executives 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:*

1. The percentage was calculated on the basis of 1,000,000,000 Shares in issue as at the Latest Practicable Date.
2. As at the Latest Practicable Date, Tai Shing International Investment Company Limited directly and beneficially held 700,000,000 Shares.
3. As at the Latest Practicable Date, Lily Charm Holding Limited held the entire issued share capital of Tai Shing International Investment Company Limited, thus Lily Charm Holding Limited was deemed to be interested in 700,000,000 Shares under Part XV of the SFO.
4. TMF (Cayman) Ltd. is the trustee of The Hope Trust, a discretionary trust set up by Ms. Zhao Ying, the chairman of the Company and a non-executive Director. TMF (Cayman) Ltd. directly holds the entire issued share capital of Lily Charm Holding Limited. Therefore, TMF (Cayman) Ltd. is deemed to be interested in 700,000,000 Shares pursuant to Part XV of the SFO.
5. As at the Latest Practicable Date, Fairich Trading Limited was directly wholly-owned by Ms. Xing Junying. Therefore, Ms. Xing Junying was deemed to be interested in 87,650,000 Shares pursuant to Part XV of the Listing Rules.

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 were 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) save as the Loan Agreement and the Guarantee, 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 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 2020, 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 were 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) QUALIFICATIONS AND CONSENTS OF EXPERTS**

The following are the qualification of the expert who had given opinion contained in this circular:

<b>Name</b>	<b>Qualifications</b>
First Shanghai Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Loan Agreement and the Loan contemplated thereunder

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or opinion dated 4 June 2021, as the case may be, and references to its name in the form and context in which they respectively appear.

As the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As the Latest Practicable Date, the above expert did not have, directly or indirectly, any interest in any assets which had since 31 December 2020 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

**(H) MATERIAL CONTRACTS**

The following contracts, not being contracts entered into 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 joint venture agreement entered into between Langfang Wantong Public Cemetery Co., Limited\* (廊坊市萬桐公墓有限公司) (a subsidiary of the Company) and Langfang Xinhangcheng Real Estate Development Co., Limited\* (廊坊市新航城房地產開發有限公司) on 6 July 2020 in relation to the formation of a joint venture company for 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) involving an initial total commitment of the Group of RMB61.7 million;
- (b) the Deed of Guarantee; and
- (c) the Loan Agreement.

**(I) 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 Ms. Li Ming Wai, she is responsible for compliance and company secretarial duties of the Group. She holds a Master of Science in Professional Accounting and Corporate Governance from the City University of Hong Kong and is an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators). She has over 5 years of experience in listed company secretarial practice.

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.



**(J) 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 2019 and 2020;
4. the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
5. the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
6. the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
7. the consent letter from the Independent Financial Adviser referred to in the paragraph headed “Qualifications and Consents of Experts” in this appendix;
8. the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
9. the Deed of Guarantee; and
10. the Loan Agreement.



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)**

Words and expressions that are not expressly defined in this notice shall bear the same meaning as those defined in the circular of China Wan Tong Yuan (Holdings) Limited (the “Company”) dated 4 June 2021 (the “Circular”), unless the context requires otherwise.

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of the Company will be held at Unit 3508, 35/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 24 June 2021 at 12:00 noon or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, to consider and, if thought fit, to pass with or without amendments, the following resolution(s):

**ORDINARY RESOLUTION**

1. “**THAT:**

- (a) the Loan Agreement in relation to the Loan of RMB100,000,000 (or its equivalent in Hong Kong dollars) (a copy of which has been marked “A” and produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder (including the Guarantee) be and are hereby approved, confirmed and ratified;
- (b) the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the Loan Agreement and the Deed of Guarantee; and
- (c) any one or more of the Directors be and is/are hereby authorised to execute such all other documents, do all other acts and things and take such action as may in the opinion of the Director(s) be necessary, desirable or expedient to

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## NOTICE OF EGM

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implement and give effect to the Loan Agreement and the Deed of Guarantee and any other transactions contemplated under the Loan Agreement and the Deed of Guarantee.”

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

Hong Kong, 4 June 2021

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized on its behalf.
3. Where there are joint registered holders of any Shares, any one of such persons may vote at the EGM (or any adjournment thereof), either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
5. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. **BAD WEATHER ARRANGEMENTS:** If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed and Shareholders will be informed of the date, time and venue of the postponed EGM by an announcement posted on the websites of the Company and the Stock Exchange. The EGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force and Shareholders will be informed of the date, time and venue of the postponed EGM by an announcement posted on the websites of the Company and the Stock Exchange. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.
7. The transfer books and register of members of the Company will be closed from Monday, 21 June 2021 to Thursday, 24 June 2021, both dates inclusive. During such period, no share transfers will be effected. In order to qualify for attending the EGM, all transfer documents, accompanied by 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 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 18 June 2021.

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## NOTICE OF EGM

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8. A form of proxy for use by Shareholders at the EGM is enclosed.
9. The following precautionary measures will be taken by the Company for the EGM to prevent the spread of the COVID-19 epidemic: (i) compulsory temperature checks; (ii) compulsory wearing of surgical face masks; and (iii) no provision of refreshments and/or souvenirs. Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Shareholders are encouraged to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

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