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**萬桐園**

**CHINA WAN TONG YUAN (HOLDINGS) LIMITED**

**中國萬桐園(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 6966)**

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board of directors (the “Board”) of China Wan Tong Yuan (Holdings) Limited (the “Company”) hereby presents the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2023 (the “Period”), together with the unaudited comparative figures for the corresponding period in 2022 as follows:

**FINANCIAL HIGHLIGHTS**

The unaudited revenue of the Group amounted to approximately RMB30,666,000 (six months ended 30 June 2022: RMB23,796,000) for the Period which represented an increase of RMB6,870,000 or 28.9% as compared with the corresponding period in 2022.

The profit attributable to owners of the Company was RMB13,952,000 (six months ended 30 June 2022: RMB13,740,000) for the Period, which represented an increase of RMB212,000 or 1.5% as compared with the same period in last year.

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

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

*For the six months ended 30 June 2023*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	4	<b>30,666</b>	23,796
Cost of sales and services		<b><u>(4,236)</u></b>	<u>(8,395)</u>
Gross profit		<b>26,430</b>	15,401
Other income	5	<b>1,929</b>	8,365
Other gains and losses, net	6	<b>1,257</b>	1,784
Loss on fair value changes of financial assets at fair value through profit or loss	13	<b>(829)</b>	(822)
(Loss)/gain on fair value change of investment property	11	<b>(20)</b>	10
Distribution and selling expenses		<b>(5,250)</b>	(3,406)
Administrative expenses		<b>(4,407)</b>	(3,917)
Finance costs		<b><u>(26)</u></b>	<u>(19)</u>
Profit before tax	7	<b>19,084</b>	17,396
Income tax expense	8	<b><u>(5,132)</u></b>	<u>(3,656)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<b><u>13,952</u></b>	<u>13,740</u>
Earnings per share			
Basic (RMB cents)	9	<b><u>1.4</u></b>	<u>1.4</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

		At 30 June 2023	At 31 December 2022
	<i>Notes</i>	<b><i>RMB'000</i></b> <b>(unaudited)</b>	<b><i>RMB'000</i></b> <b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		3,652	3,672
Intangible assets		734	232
Right-of-use assets		774	1,032
Investment property	11	6,250	6,270
Cemetery assets	12	11,302	10,251
Financial assets at fair value through profit or loss	13	6,080	6,909
Prepayments and other receivables	14	13,127	11,846
Deferred tax assets		306	481
		<b>42,225</b>	<b>40,693</b>
<b>Current assets</b>			
Inventories		17,582	20,005
Trade receivables		—	658
Prepayments and other receivables	14	29,660	29,650
Bank balances and cash		229,655	211,284
		<b>276,897</b>	<b>261,597</b>
<b>Current liabilities</b>			
Trade and other payables	15	6,953	9,656
Lease liabilities		533	502
Contract liabilities	16	7,373	5,915
Income tax payable		1,525	2,170
		<b>16,384</b>	<b>18,243</b>
<b>Net current assets</b>		<b>260,513</b>	<b>243,354</b>
<b>Total assets less current liabilities</b>		<b>302,738</b>	<b>284,047</b>

		At 30 June 2023	At 31 December 2022
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
<b>Non-current liabilities</b>			
Lease liabilities		278	530
Contract liabilities	16	75,549	70,727
Deferred tax liabilities		2,767	2,598
		<u>78,594</u>	<u>73,855</u>
<b>Net assets</b>		<u>224,144</u>	<u>210,192</u>
<b>Capital and reserves</b>			
Share capital	17	66,192	66,192
Reserves		157,952	144,000
		<u>224,144</u>	<u>210,192</u>
<b>Equity attributable to owners of the Company</b>		<u>224,144</u>	<u>210,192</u>
<b>TOTAL EQUITY</b>		<u>224,144</u>	<u>210,192</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2023*

	Attributable to owners of the Company				Total RMB'000
	Share capital RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	
At 1 January 2022 (audited)	66,192	14,530	1,309	106,131	188,162
Profit and total comprehensive income for the period	—	—	—	13,740	13,740
Transfer to statutory surplus reserve	—	1,097	—	(1,097)	—
At 30 June 2022 (unaudited)	<u>66,192</u>	<u>15,627</u>	<u>1,309</u>	<u>118,774</u>	<u>201,902</u>
At 1 January 2023 (audited)	66,192	16,428	1,309	126,263	210,192
Profit and total comprehensive income for the period	—	—	—	13,952	13,952
Transfer to statutory surplus reserve	—	1,464	—	(1,464)	—
At 30 June 2023 (unaudited)	<u>66,192</u>	<u>17,892</u>	<u>1,309</u>	<u>138,751</u>	<u>224,144</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Net cash generated from operating activities</b>	<b>18,978</b>	<b>6,843</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(440)	(163)
Purchase of landscape facilities included in cemetery assets	(1,378)	(301)
Purchase of intangible assets	(542)	—
Interest received	743	432
Dividend income received from financial assets at fair value through profit or loss	—	700
Withdrawal of term deposits	30,000	11,200
<b>Net cash generated from investing activities</b>	<b>28,383</b>	<b>11,868</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of leases liabilities	(247)	(343)
<b>Net cash used in financing activities</b>	<b>(247)</b>	<b>(343)</b>
Net increase in cash and cash equivalents	47,114	18,368
Cash and cash equivalents at the beginning of period	181,284	73,228
Effect of foreign exchange rate changes	1,257	120
Cash and cash equivalents at end of the period, represented by:		
Bank balances and cash	229,655	91,716

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## 1. GENERAL

China Wan Tong Yuan (Holdings) Limited (the “Company”) was incorporated and registered in the Cayman Islands on 25 January 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is 2nd Floor, the Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands. The address of its principal place of business is No.48, Louzhuang Road, Langfang Development Area, Langfang, Hebei Province, the People’s Republic of China (the “PRC”). The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the sale of burial plots, provision of other burial-related services, provision of cemetery maintenance services and provision of funeral services in the PRC. The Company and its subsidiaries are collectively referred to as the “Group”.

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

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

## 2. BASIS OF PREPARATION

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

## 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

## Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

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

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

## 4. REVENUE AND SEGMENT INFORMATION

### 4.1 Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2023			
	Sales of burial plots, provision of tomb relocation and other burial-related services <i>RMB'000</i> (unaudited)	Provision of cemetery maintenance services <i>RMB'000</i> (unaudited)	Provision of funeral services <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Types of goods and service				
Sales of burial plots	20,768	—	—	20,768
Provision of other burial-related services	4,241	—	—	4,241
Provision of funeral services	—	—	2,960	2,960
Provision of cemetery maintenance services	—	2,697	—	2,697
Total	<u>25,009</u>	<u>2,697</u>	<u>2,960</u>	<u>30,666</u>
Timing of revenue recognition				
A point in time	20,768	—	2,960	23,728
Over time	4,241	2,697	—	6,938
Total	<u>25,009</u>	<u>2,697</u>	<u>2,960</u>	<u>30,666</u>



For the six months ended 30 June 2022

	Sales of burial plots, provision of tomb relocation and other burial-related services <i>RMB'000</i> (unaudited)	Provision of cemetery maintenance services <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Types of goods and service			
Sales of burial plots	10,620	—	10,620
Provision of other burial-related services	10,728	—	10,728
Provision of cemetery maintenance services	—	2,448	2,448
Total	<u>21,348</u>	<u>2,448</u>	<u>23,796</u>
Timing of revenue recognition			
A point in time	18,249	—	18,249
Over time	<u>3,099</u>	<u>2,448</u>	<u>5,547</u>
Total	<u>21,348</u>	<u>2,448</u>	<u>23,796</u>

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

## 4.2 Operating segments

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company, being the chief operating decision makers (the “CODM”), that are used to make strategic decisions. Information reported to the CODM is based on the products and services delivered or provided by the Group.

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

### *Segment revenue and results*

*For the six months ended 30 June 2023 (unaudited)*

	Sales of burial plots, provision of tomb relocation and other burial-related services <i>RMB’000</i>	Provision of cemetery maintenance services <i>RMB’000</i>	Provision of funeral services <i>RMB’000</i>	Total <i>RMB’000</i>
Segment revenue	<u>25,009</u>	<u>2,697</u>	<u>2,960</u>	<u>30,666</u>
Segment results	<u>21,627</u>	<u>2,396</u>	<u>2,407</u>	<u>26,430</u>
Other income				1,929
Other gains and losses, net				1,257
Loss on fair value changes of financial assets at fair value through profit or loss (“FVTPL”)				(829)
Loss on fair value change of investment property				(20)
Distribution and selling expenses				(5,250)
Administrative expenses				(4,407)
Finance costs				<u>(26)</u>
Profit before tax				<u><u>19,084</u></u>

For the six months ended 30 June 2022 (unaudited)

	Sales of burial plots, provision of tomb relocation and other burial-related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	21,348	2,448	23,796
Segment results	13,116	2,285	15,401
Other income			8,365
Other gains and losses, net			1,784
Loss on fair value changes of financial assets at FVTPL			(822)
Gain on fair value change of investment property			10
Distribution and selling expenses			(3,406)
Administrative expenses			(3,917)
Finance costs			(19)
Profit before tax			<u>17,396</u>

Segment results represent the gross profit attributable to each segment without allocation of other income, other gains and losses, loss on fair value changes of financial assets at FVTPL, (loss)/gain on fair value change of investment property, distribution and selling expenses, administrative expenses and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment. There were no inter-segment revenue during the current and prior periods. No analysis of segment assets and liabilities is presented as it is not regularly reviewed by the CODM.

## 5. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Interest income on bank deposits	743	432
Imputed interest income on interest-free advance payment and deposit paid	1,186	1,154
Dividend income from financial assets at FVTPL	—	700
Government grant	—	21
Rental income	—	95
Interest income on amounts due from related parties	—	5,963
	<u>1,929</u>	<u>8,365</u>

## 6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Foreign exchange gains	<u>1,257</u>	<u>1,784</u>
	<u><u>1,257</u></u>	<u><u>1,784</u></u>

## 7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	460	507
Amortisation of intangible assets	40	—
Depreciation of right-of-use assets	258	343
Amortisation of cemetery assets (included in cost of sales and services)	<u>327</u>	<u>232</u>
Total depreciation and amortisation	1,085	1,082
Cost of inventories recognised as an expense	2,432	1,307
Staff costs, including Directors' remuneration:		
Salaries, wages and other benefits	4,995	3,490
Retirement benefits scheme contributions	<u>335</u>	<u>235</u>
Total staff costs	<u><u>5,330</u></u>	<u><u>3,725</u></u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current enterprise income tax	4,788	2,341
Deferred tax	<u>344</u>	<u>1,315</u>
	<u><u>5,132</u></u>	<u><u>3,656</u></u>

## 9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<u>13,952</u>	<u>13,740</u>
<b>Numbers of shares</b>		
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

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

## 10. DIVIDENDS

The directors of the Company (the “Directors”) have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2022: nil).

## 11. INVESTMENT PROPERTY

The Group leased out a parcel of land under operating lease. The Group is not exposed to foreign currency risk as a result of the lease arrangement, as the lease payment was denominated in RMB, being the functional currency of the group entity. The lease contract did not contain residual value guarantee and/or lessee’s option to purchase the asset at the end of lease term. The current lease contract of the land was expired on 31 December 2022. Up to the date of approval of the condensed consolidated financial statements, the Group is still in the process of soliciting a new tenant.

	<i>RMB'000</i>
<b>Fair value</b>	
At 31 December 2022 (audited)	6,270
Loss on fair value change of investment property	<u>(20)</u>
At 30 June 2023 (unaudited)	<u>6,250</u>

The fair value of the Group’s investment property as at 31 December 2022 and 30 June 2023 have been arrived at based on valuation performed by HG Appraisal & Consulting Limited (a member of the Hong Kong Institute of Surveyors), an independent qualified professional valuers not connected with the Group. The Directors work closely with the qualified professional valuers to establish the appropriate valuation techniques and inputs to the model.

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

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

## 12. CEMETERY ASSETS

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Leasehold land	3,802	3,874
Landscape facilities	7,139	6,009
Development costs	361	368
	<u>11,302</u>	<u>10,251</u>

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Unlisted investment:		
— equity securities	<u>6,080</u>	<u>6,909</u>

At 31 December 2022 and 30 June 2023, the Group had 10% equity interests in Huimin Town Bank Co., Ltd of Anci District, Langfang City (廊坊市安次區惠民村鎮銀行股份有限公司), which was classified as financial assets at FVTPL. During the six months ended 30 June 2023, the amount of loss on fair value changes of financial assets at FVTPL of RMB829,000 (six months ended 30 June 2022: RMB822,000) was charged to profit or loss.

The fair value of financial assets at FVTPL at 30 June 2023 has been arrived at on the basis of valuation carried out by HG Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group. The Directors work closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

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

Financial assets	Fair value as at 30 June 2023 (unaudited) RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL	6,080	Level 3	Market approach: based on the target companies' financial performance and the multiples of comparable companies  The key inputs are:  (1) Price to book ratio ("P/B ratio")  (2) Discount for lack of marketability ("DLOM")	P/B ratio: 0.53 (note) DLOM: 30%

*Note:* An increase in the P/B ratio used in isolation would result in an increase in the fair value measurement of the financial assets at FVTPL, and vice versa. A 5% increase/decrease in the P/B ratio holding all other variables constant would increase/decrease the carrying amount of the investment by RMB304,000 (2022: RMB367,000).

An increase in the DLOM used in isolation would result in a decrease in the fair value measurement of the financial assets at FVTPL, and vice versa. A 5% increase/decrease in the DLOM holding all other variables constant would decrease/increase the carrying amount of the investment by RMB130,000 (2022: RMB157,000).

#### 14. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Non-current		
Guarantee deposit and payments for a cemetery project (note (a))	9,079	8,846
Deposit paid (note (b))	3,000	3,000
Others	1,048	—
	<u>13,127</u>	<u>11,846</u>
Current		
Staff advance	104	30
Prepayments	303	1,224
Others (note (c))	29,253	28,396
	<u>29,660</u>	<u>29,650</u>

Notes:

- (a) The amount represented the interest-free guarantee deposits to a third party, Langfang Xinhangcheng Real Estate Development Co., Limited (廊坊市新航城房地產開發有限公司, “Xinhangcheng”) for the development of a new cemetery project located in Langfang relocation and settlement zone, Beijing (“Linkong New Cemetery Project”), and should there be no breach on the part of the Group before the official commencement of operation of the cemetery, Xinhangcheng shall within 90 days therefrom refund the guarantee deposit to Langfang Wantong Cemetery Co., Ltd. (“Langfang Wantong”, a subsidiary of the Company). The difference between the nominal amount and the fair value of the guarantee deposit at initial recognition was considered as payments for a cemetery project.
- (b) The amount represents an interest-bearing advance payment to Langfang Funeral Parlour (廊坊市殯儀館, a business unit under Langfang Civil Affairs Bureau). Pursuant to the agreement entered into between Langfang Wantong and Langfang Funeral Parlour in 2022, Langfang Wantong was entrusted to provide certain extended funeral services in Langfang Funeral Parlour. In accordance with the agreement, Langfang Wantong advanced an amount of RMB3,000,000 to Langfang Funeral Parlour, which bears interest based on prevailing bank loan interest rate for the corresponding period. The principal and interest are repayable prior to 31 August 2024.
- (c) The balance mainly represents an interest-free advance payment of RMB30,000,000 to Baijiawu Office (白家務辦事處, a local government department) for the land demolition relating to the development of a cemetery project. Pursuant to the agreement entered into between Langfang Wantong and Langfang Xinhangcheng and the arrangement among the Guangyang district government, Baijiawu Office and Langfang Linkong Wantong Cemetery Co., Ltd. (廊坊臨空萬桐公墓有限公司, “Linkong Wantong”, a subsidiary of the Company), the Guangyang district government will coordinate the relevant parties to return the advance payment to the Group and the Directors expected that the advance payment will be recovered within 1 year (at the end of 31 December 2023).

**15. TRADE AND OTHER PAYABLES**

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Trade payables	4,239	5,785
Accrued expenses	2,714	3,871
	<u>6,953</u>	<u>9,656</u>



The following is an aged analysis of trade payables presented based on the invoice date at 30 June 2023 and 31 December 2022:

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Less than 1 year	2,208	1,078
1 to 2 years	1,874	4,570
2 to 3 years	43	27
Over 3 years	114	110
	<u>4,239</u>	<u>5,785</u>

## 16. CONTRACT LIABILITIES

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

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Carrying amount analysed as:		
Amounts shown under current liabilities	7,373	5,915
Amounts shown under non-current liabilities	75,549	70,727
	<u>82,922</u>	<u>76,642</u>

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

## 17. SHARE CAPITAL

	<i>Number of shares</i>	<i>RMB'000</i>
Ordinary shares of United States Dollar 0.01 each Authorised:		
At 1 January 2022, 31 December 2022 and 30 June 2023	3,000,000,000	205,984
Issue and fully paid:		
At 1 January 2022, 31 December 2022 and 30 June 2023	1,000,000,000	66,192

## 18. RELATED PARTY TRANSACTIONS

### (a) Related party balances

On 7 May 2021, the Company entered into a loan agreement with China VAST Industrial Urban Development Company Limited (中國宏泰產業市鎮發展有限公司, “China VAST”) (the “Loan Agreement”). Pursuant to the Loan Agreement, the Company had conditionally agreed to provide a loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to China VAST (or its designated nominee) for a term of one year at an interest rate of 12% per annum. Ms. Zhao is the controlling shareholder and a non-executive director of the Company and a substantial shareholder of China VAST and accordingly, China VAST was regarded as a related party and a connected person of the Company pursuant to the Listing Rules.

On 16 May 2022, the Company and China VAST entered into the deed of extension (the “Deed of Extension”), pursuant to which the parties have conditionally agreed that, among others, with effect from 2 July 2022, the original repayment date (i.e. 1 July 2022) shall be extended for a period of 24 months, and all the material terms and conditions of the Loan Agreement shall remain in full force and effect. In the extraordinary general meeting held on 30 June 2022, the resolution in relation to the Deed of Extension was voted on by way of poll. As less than 50% of the votes were cast in favour of the resolution, the resolution was not passed by the independent shareholders as an ordinary resolution of the Company. The principal and interest on the loan was fully repaid in July 2022.

### (b) Related party transactions

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest income		
China VAST	—	2,074
Langfang VAST	—	3,889
	<hr/>	<hr/>
Total	—	5,963
	<hr/> <hr/>	<hr/> <hr/>

(c) **Compensation of key management personnel**

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Salaries and other benefits	<b>972</b>	819
Contribution to retirement benefit scheme	<b>67</b>	62
Discretionary performance-related bonus	<b>614</b>	272
	<b>1,653</b>	1,153

**19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

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

The Group's burial service consists primarily of (1) sale of burial plots, which includes the right to use the burial plots and headstones and other ancillary products to be used on the burial plots; and (2) other burial-related services such as providing columbarium collective storage services, the organization and conducting of interment rituals, the design, construction and landscaping of the burial plots, and the engraving of inscriptions and ceramic photographs on the headstones and other ancillary services. Burial service is the largest component of the Group's revenue, representing 81.6% of its revenue for the six months ended 30 June 2023 (2022: 89.7%). The Group's revenue from burial service, in particular, the sale of burial plots, for a given period is dependent upon the number and the average selling price of burial plots sold by the Group and recognized as revenue during the Period.

#### **Providing cemetery maintenance services**

The Group provides ongoing cemetery maintenance services as an integral part of its burial service to maintain its beautiful landscaped cemetery. Customers pay for maintenance fees upfront when signing the sales contracts to purchase the burial plots. The Group's revenue from cemetery maintenance services was RMB2,697,000 for the six months ended 30 June 2023 (2022: RMB2,448,000).

#### **Providing funeral services**

The Group provides one-stop-shop funeral services at Langfang Funeral Parlour, including etiquettes, rules, wake and farewell ceremony, to the customers since last year, which will continue to provide a stable source of customers for the Group. The Group's revenue from providing funeral services was RMB2,960,000 for the six months ended 30 June 2023 (2022: Nil).

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased by 28.9% from RMB23.8 million for the six months ended 30 June 2022 to RMB30.7 million for the six months ended 30 June 2023, primarily due to the increase in revenue from the sale of burial plots and funeral services of RMB10.1 million and RMB3.0 million respectively.

### **Cost of sales and services**

The Group's cost of sales and services was approximately RMB8.4 million and RMB4.2 million for the six months ended 30 June 2022 and 30 June 2023 respectively, representing a decrease of 49.5%, due to the decrease in cost of tomb moving of RMB6.0 million incurred by the Group as compared to the corresponding period in 2022.

### **Gross profit and gross profit margin**

As a result of the foregoing, the Group's gross profit increased by 71.6% from RMB15.4 million for the six months ended 30 June 2022 to RMB26.4 million for the six months ended 30 June 2023. The Group's overall gross profit margin increased from 64.7% for the six months ended 30 June 2022 to 86.2% for the six months ended 30 June 2023.

The Group's gross profit for burial service increased by 64.9% from RMB13.1 million for the six months ended 30 June 2022 to RMB21.6 million for the six months ended 30 June 2023, while the gross profit margin for burial service increased from 61.4% for the six months ended 30 June 2022 to 86.5% for the six months ended 30 June 2023.

The gross profit for cemetery maintenance was RMB2.3 million and RMB2.4 million for the six months ended 30 June 2022 and 2023, respectively. The gross profit margin for cemetery maintenance decreased from 93.3% for the six months ended 30 June 2022 to 88.8% for the six months ended 30 June 2023.

The gross profit for funeral services was RMB2.4 million for the six months ended 30 June 2023. The gross profit margin for funeral services was 81.3% for the six months ended 30 June 2023.

### **Other income**

The Group's other income for the six months ended 30 June 2023 was RMB1.9 million, representing a decrease of 76.9% compared to RMB8.4 million for the six months ended 30 June 2022, primarily due to the decrease in interest income from related party borrowings of RMB6.0 million.

### **Distribution and selling expenses**

The Group's distribution and selling expenses increased by 54.1% from RMB3.4 million for the six months ended 30 June 2022 to RMB5.3 million for the six months ended 30 June 2023.

### **Administrative expenses**

The Group's administrative expenses increased by 12.5% from RMB3.9 million for the six months ended 30 June 2022 to RMB4.4 million for the six months ended 30 June 2023.

### **Income tax expenses**

The Group's income tax expense for the six months ended 30 June 2023 was RMB5.1 million, representing an increase of 40.4% compared to RMB3.7 million for the six months ended 30 June 2022, primarily due to the increase in tax payable due to the increase in revenue for the Period.

### **Profit and total comprehensive income for the period**

As a result of the foregoing, the Group's profit and total comprehensive income for the Period increased by 1.5% from RMB13.7 million for the six months ended 30 June 2022 to RMB14.0 million for the six months ended 30 June 2023. The Group's net profit margin decreased from 57.7% for the six months ended 30 June 2022 to 45.5% for the six months ended 30 June 2023.

### **Liquidity and financial resources**

The Group generally financed its operations with its internally generated cash flows. The Group's total equity was RMB224.1 million as at 30 June 2023, compared to RMB210.2 million as at 31 December 2022. Total assets amounted to RMB319.1 million as at 30 June 2023, compared to RMB302.3 million as at 31 December 2022, of which RMB229.7 million (2022: RMB211.3 million) was bank balances and cash.

### **Capital structure**

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

### **Pledge of assets**

There was no charge on the Group's assets as at 30 June 2023 and 31 December 2022.

### **Gearing ratio**

As at 30 June 2023, the gearing ratio of the Group, being total liabilities to total assets, was 29.8% (31 December 2022: 30.5%), which indicates the Group's healthy liquidity position.

## **Material acquisitions, disposals and significant investments**

There were no material acquisitions and disposals of subsidiaries or associates or joint ventures or significant investments during the Period.

## **Employee information**

As at 30 June 2023, the Group had a total of 71 employees (31 December 2022: 57 employees). The Group provides employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

## **Segmental information**

For the six months ended 30 June 2023, the Group has three major operating and reporting segments namely (1) sales of burial plots, provision of tomb relocation and other burial-related services, (2) provision of cemetery maintenance service and (3) provision of funeral services.

## **Future plans for material investments or capital assets**

The Group does not have other future plans for material investments or capital assets.

## **PROSPECTS**

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

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

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

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

The JV Cemetery Project one of the major development projects of the Group. The Group will continue its communication with related government departments to fasten the strategic planning and development progress. The management believes that the project will facilitate the Group to strengthen and expand its market position in Langfang and Jing-Jin-Ji megalopolis.

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

## **DEVELOPMENT AND FUND UTILIZATION PLAN**

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

As at 30 June 2023, the Company had bank balances and cash of RMB229.7 million, representing an excellent liquidity position. The Company is confident that the Company will be able to swiftly and efficiently allocate and utilize such immediately available funds as development costs of the Cemetery JV Project as and when required.

The Company has been in the progress of obtaining relevant approvals from government authorities for the construction of an operational cemetery. In view of the outbreak of the COVID-19 pandemic in the past years, as well as the scale and complexity involved in the overall urban planning (including without limitation development, economic and environment aspects) in relation to the Beijing Daxing International Airport Economic Zone\* (北京大興國際機場臨空經濟區), of which the Cemetery JV Project forms part, the Company understands that the government approval and assessment process remains to be on-going. The Group has been continuously liaising with the government as to such approval, including submission of development and business plans and discussions.

Following the gradual alleviation of social distancing and other pandemic containment measures and restrictions in the PRC, the development plan and endeavours of the Group are expected to be progressively back to normalcy. Subject to government approvals, in 2023 and 2024, the Group will build operating burial plots for sales in the New Airport (Langfang area), Relocation and Settlement Zone, Beijing\* (北京新機場 (廊坊區域) 回遷安置區) and partial storage of the cremation urns and urns for villagers of the relocated village in the airport economic zone, which will involve land resumption and acquisition of land by the JV Company through public auction for the purpose of constructing and developing operational cemeteries.



According to relevant requirements including the Law of the People's Republic of China on Urban and Rural Planning (中華人民共和國城鄉規劃法) and Regulations of Hebei Province on Urban and Rural Planning (河北省城鄉規劃條例) etc., the relevant government authority in charge of urban planning and development has conducted public consultations during the period from 20 June 2023 to 19 July 2023 by way of public notices. Following the completion of the consultation, the Company understands that the empowered urban and rural planning authorities on a city and county level will submit the development plan, expert opinions and consultation conclusions to the urban and rural planning committee for review, after which the detailed controlling development plan will be submitted for approval in accordance with relevant statutory procedures with the consent of the relevant People's Government.

It is currently expected that the relevant approvals procedures will be completed within 2023, after which the JV Company will commence relevant procedures for the acquisition of land for the purpose of the Cemetery JV Project.

As at the date of this report, the registered capital of the JV Company of RMB23.7 million payable by Langfang Wantong has not been paid. The Group expected that such registered capital will be paid-in in order to give the JV Company initial capital to kick-start the development of the Cemetery JV Project. It is estimated that the Group will incur capital commitment of approximately RMB85 million. Pursuant to the JV Agreement, the Group is under the obligation to provide shareholder's loan to the JV Company at the interest rate of 6.9% per annum for the Cemetery JV Project should there be capital requirements. It is reasonably foreseeable that along the land acquisition costs will initially be funded by shareholder's loan to be provided by the Group.

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

The Company is of the view that 2023 to 2025 will be a crucial period of time for the Group. The Company believes that it is well prepared to pursue its corporate goals. Leveraging its financial resources, the Directors are confident that the Group will benefit from its investment and create return for its shareholders and enhance shareholders' value.

## **FOREIGN EXCHANGE EXPOSURE**

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

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As of 30 June 2023, the Group did not have any material contingent liabilities.

As at 30 June 2023, the Group did not have capital commitments in respect of expenditure in cemetery assets (31 December 2022: Nil).

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

As of 30 June 2023, the interests and short positions of each of the Directors and chief executive and their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to Appendix 10 of the Listing Rules, were as follows:

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

### Notes:

- (1) The letter “L” refers to the long position of the Shares.
- (2) Ms. Zhao Ying is the chairman and a non-executive director of the Company. She is the settlor, sole member of The Hope Trust’s protective committee and a beneficiary of The Hope Trust, which is a discretionary trust with TMF (Cayman) Ltd. as trustee. TMF (Cayman) Ltd. wholly owns the entire share capital of Lily Charm Holding Limited. Lily Charm Holding Limited wholly owns the entire issued share capital of Tai Shing International Investment Company Limited. Therefore, Ms. Zhao Ying is deemed to be interested in the 700,000,000 Shares directly held by Tai Shing International Investment Company Limited under Part XV of the SFO.
- (3) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as of 30 June 2023.

Save as disclosed above, as of 30 June 2023, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to Appendix 10 of the Listing Rules.

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

As of 30 June 2023, so far as was known to the Directors, the following persons/entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

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

*Notes:*

- (1) The letter “L” refers to the entity/person’s long position in the Shares.
- (2) Tai Shing International Investment Company Limited directly holds 700,000,000 Shares of the Company.
- (3) Lily Charm Holding Limited holds the entire of issued share capital of Tai Shing International Investment Company Limited, thus Lily Charm Holding Limited is deemed to be interested in the 700,000,000 Shares of the Company.

- (4) TMF (Cayman) Ltd. is the trustee of The Hope Trust, which is a discretionary trust set up by Ms. Zhao Ying, the chairman and a non-executive Director of the Company. TMF (Cayman) Ltd. directly holds the entire issued share capital of Lily Charm Holding Limited. Therefore, TMF is deemed to be interested in 700,000,000 Shares of the Company under Part XV of the SFO.
- (5) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as of 30 June 2023.

Save as disclosed above, as of 30 June 2023, the Directors were not aware of any other persons, except disclosed below under “Other persons’ interests and short positions in the Shares and underlying Shares of the Company”, other than the Directors and chief executive of the Company who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debenture of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO; or who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

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

As of 30 June 2023, so far as was known to the Directors, the following persons/entities (not being Directors, chief executive or substantial shareholders of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

*Notes:*

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Fairich Trading Limited is directly wholly owned by Ms. Xing Junying.
- (3) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as of 30 June 2023.

Save as disclosed above, as of 30 June 2023, the Directors are not aware of any other person or corporation other than the Directors, the chief executive and substantial shareholders of the Company who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debenture of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

#### **PURCHASES, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES**

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

#### **DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING INTERESTS OR CONFLICT OF INTEREST**

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

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

The Controlling Shareholders have confirmed to the Company that from the effective date of the Deed of the Non-competition and up to the date of this announcement, they and their respective close associates (as defined under the Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

## **CORPORATE GOVERNANCE PRACTICES**

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

## **AUDIT COMMITTEE**

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

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

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

Hong Kong, 11 August 2023

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