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萬桐園

CHINA WAN TONG YUAN (HOLDINGS) LIMITED

中國萬桐園（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6966)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The board of directors (the “Board”) of the Company hereby presents the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

FINANCIAL HIGHLIGHTS

- The revenue of the Group amounted to approximately RMB38,891,000 for the year ended 31 December 2020 (2019: RMB63,377,000) which represented a decrease of RMB24,486,000 or 38.6% as compared with the year of 2019.
- The profit attributable to owners of the Company was RMB17,541,000 for the year ended 31 December 2020 (2019: RMB23,551,000), which represented a decrease of RMB6,010,000 or 25.5% as compared with the year of 2019.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

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

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	38,891	63,377
Cost of sales and services		(5,998)	(12,763)
Gross profit		32,893	50,614
Other income	4	10,110	4,906
Other (losses)/gains	5	(2,612)	1,061
Gain/(loss) on fair value changes of financial assets at fair value through profit or loss		300	(245)
Gain on fair value change of investment property		190	350
Distribution and selling expenses		(7,054)	(6,631)
Administrative expenses		(8,534)	(16,739)
Finance costs		(78)	—
Profit before tax	6	25,215	33,316
Income tax expense	7	(7,674)	(9,765)
Profit and total comprehensive income for the year attributable to owners of the Company		17,541	23,551
Earnings per share			
Basic (RMB cents)	8	1.8	2.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		At 31 December	
		2020	2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,249	3,110
Right-of-use assets		623	—
Investment property		6,200	6,010
Cemetery assets	10	8,904	8,333
Other receivables	11	8,000	—
Financial assets at fair value through profit or loss		8,900	8,600
		35,876	26,053
CURRENT ASSETS			
Inventories		18,605	19,273
Prepayments and other receivables	11	1,265	738
Bank balances and cash		197,630	189,280
		217,500	209,291
CURRENT LIABILITIES			
Trade and other payables	12	6,099	13,409
Lease liabilities		598	—
Contract liabilities	13	8,033	7,687
Income tax payable		3,181	1,464
		17,911	22,560
NET CURRENT ASSETS		199,589	186,731
TOTAL ASSETS LESS CURRENT LIABILITIES		235,465	212,784

	<i>NOTES</i>	At 31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		15	—
Contract liabilities	13	63,194	58,192
Deferred tax liabilities		2,234	2,111
		<u>65,443</u>	<u>60,303</u>
NET ASSETS		<u>170,022</u>	<u>152,481</u>
CAPITAL AND RESERVES			
Share capital		66,192	66,192
Reserves		103,830	86,289
Equity attributable to owners of the Company		<u>170,022</u>	<u>152,481</u>
TOTAL EQUITY		<u>170,022</u>	<u>152,481</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company				
	Share capital	Statutory surplus reserve	Other reserves	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019	66,192	6,766	1,309	54,663	128,930
Profit and total comprehensive income for the year	—	—	—	23,551	23,551
Transfer to statutory surplus reserve	—	3,005	—	(3,005)	—
At 31 December 2019 and 1 January 2020	66,192	9,771	1,309	75,209	152,481
Profit and total comprehensive income for the year	—	—	—	17,541	17,541
Transfer to statutory surplus reserve	—	2,372	—	(2,372)	—
At 31 December 2020	66,192	12,143	1,309	90,378	170,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to IFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

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

3. REVENUE AND OPERATING SEGMENTS

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December 2020	
	Sales of burial plots, columbarium units and provision of other burial- related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>
Types of goods and service		
Sales of burial plots	29,595	—
Sales of columbarium units	1,682	—
Provision of other burial-related services	3,484	—
Provision of cemetery maintenance services	—	4,130
	<hr/>	<hr/>
Total	34,761	4,130
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
A point in time	31,277	—
Over time	3,484	4,130
	<hr/>	<hr/>
Total	34,761	4,130
	<hr/> <hr/>	<hr/> <hr/>

	Year ended 31 December 2019	
	Sales of burial plots, columbarium units and provision of other burial- related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>
Types of goods and service		
Sales of burial plots	30,228	—
Sales of columbarium units	24,886	—
Provision of other burial-related services	4,472	—
Provision of cemetery maintenance services	—	3,791
	<hr/>	<hr/>
Total	<u>59,586</u>	<u>3,791</u>
Timing of revenue recognition		
A point in time	55,114	—
Over time	4,472	3,791
	<hr/>	<hr/>
Total	<u>59,586</u>	<u>3,791</u>

(ii) Performance obligations for contracts with customers

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

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

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

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

Sales of columbarium units (revenue recognised at a point in time)

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

Provision of other burial-related services

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and the expected timing of recognising revenue are as follows:

	Sales of burial plots RMB'000	Provision of cemetery maintenance services RMB'000
Within one year/on demand	2,220	5,813
More than one year but not more than two years	—	4,478
More than two years	—	58,716
	<u>2,220</u>	<u>69,007</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue are as follows:

	Sales of burial plots <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>
Within one year/on demand	2,437	5,250
More than one year but not more than two years	—	4,441
More than two years	—	53,751
	<u>2,437</u>	<u>63,442</u>

Operating segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers, including Ms. Li Xingying, the general manager of Langfang Wantong Cemetery Co., Ltd. (“Langfang Wantong”, a subsidiary of the Company), Mr. Huang Guangming and Mr. Yu Minghua (resigned on 31 March 2020), the deputy general managers of Langfang Wantong (collectively, the “CODM”), that are used to make strategic decisions. Information reported to the CODM is based on the products and services delivered or provided by the Group.

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

Segment revenue and results*Year ended 31 December 2020*

	Sales of burial plots, columbarium units and provision of other burial-related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>34,761</u>	<u>4,130</u>	<u>38,891</u>
Segment results	29,133	3,760	<u>32,893</u>
Other income			10,110
Other losses			(2,612)
Gain on fair value changes of financial assets at fair value through profit or loss ("FVTPL")			300
Gain on fair value change of investment property			190
Distribution and selling expenses			(7,054)
Administrative expenses			(8,534)
Finance costs			<u>(78)</u>
Profit before tax			<u><u>25,215</u></u>

Year ended 31 December 2019

	Sales of burial plots, columbarium units and provision of other burial-related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>59,586</u>	<u>3,791</u>	<u>63,377</u>
Segment results	47,436	3,178	<u>50,614</u>
Other income			4,906
Other gains			1,061
Loss on fair value changes of financial assets at FVTPL			(245)
Gain on fair value change of investment property			350
Distribution and selling expenses			(6,631)
Administrative expenses			<u>(16,739)</u>
Profit before tax			<u><u>33,316</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the gross profit attributable to each segment without allocation of other income, other gains (losses), gain (loss) on fair value changes of financial assets at FVTPL, 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 purposes of resource allocation and performance assessment. There were no inter-segment revenue during the current and prior years. No analysis of segment assets and liabilities is presented as it is not regularly reviewed by the CODM.

Geographical information

All of the Group's revenue is generated from sale of burial plots, columbarium units and provision of other burial-related services, and provision of cemetery maintenance services in the PRC based on where goods are sold or services are rendered, and substantially all of the Group's identifiable assets and liabilities are located in the PRC.

Information about major customers

No single customer accounted for 10% or more of the Group's revenue for the current year. Revenue from sales of columbarium units in the amount of RMB24,886,000 from a single customer accounted for over 10% of the Group's revenue for the year ended 31 December 2019.

4. OTHER INCOME

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on bank deposits	2,870	1,916
Dividend income from financial assets at FVTPL	800	800
Government grants	250	2,000
Rental income	190	190
Income from waiver of other payable (<i>note</i>)	6,000	—
	<u>10,110</u>	<u>4,906</u>

Note: An amount payable of RMB6,000,000 was waived by the counter party and recognised as other income in the current year.

5. OTHER (LOSSES)/GAINS

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange (losses)/gains, net	<u>(2,612)</u>	<u>1,061</u>

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remuneration	1,050	1,180
Professional service fees for listing transfer from GEM to Main Board of the Stock Exchange	—	10,041
Depreciation of property, plant and equipment	892	784
Depreciation of right-of-use assets	527	—
Amortisation of cemetery assets (included in cost of sales and services)	380	384
Total depreciation and amortisation	<u>1,799</u>	<u>1,168</u>
Cost of inventories recognised as an expense	<u>3,872</u>	<u>9,327</u>
Expense relating to short-term leases	<u>—</u>	<u>493</u>
Staff costs, including directors' and chief executive's remuneration:		
Salaries, wages and other benefits	5,847	6,134
Retirement benefit scheme contributions	85	427
Total staff costs	<u>5,932</u>	<u>6,561</u>

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current enterprise income tax	7,551	9,739
Deferred tax	123	26
	<u>7,674</u>	<u>9,765</u>

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	25,215	33,316
Tax at the applicable tax rate of 25%	6,304	8,329
Tax effect of expenses not deductible for tax purpose	1,460	2,103
Tax effect of income not taxable for tax purpose	(242)	(648)
Tax effect of tax losses not recognised	152	—
Utilisation of tax losses previously not recognised	—	(19)
Tax expense	7,674	9,765

Note:

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Group’s subsidiaries had no assessable profit subject to Hong Kong Profits Tax.

8. EARNINGS PER SHARE

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	<u>17,541</u>	<u>23,551</u>
Numbers of shares:		
Numbers of ordinary shares for the purpose of calculating basic earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

No diluted earnings per share for the year ended 31 December 2020 and 2019 were presented as there were no potential ordinary shares in issue for both years.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

10. CEMETERY ASSETS

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold land	4,156	4,300
Landscape facilities	4,346	3,617
Development costs	<u>402</u>	<u>416</u>
	<u>8,904</u>	<u>8,333</u>

Effective from 1 January 2019, the carrying amount of leasehold land is measured under IFRS 16 at cost less accumulated amortisation and any impairment losses. The leasehold land is amortised on a straight-line basis over the lease term of 50 years.

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

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

Upon commencement of development of an area within the cemetery, the proportionate cemetery assets are transferred to inventories.

11. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
Staff advance	30	30
Prepayments	1,002	471
Others	233	237
	<u>1,265</u>	<u>738</u>
Non-current		
Guarantee deposit (<i>note</i>)	<u>8,000</u>	<u>—</u>

Note: The amount represents the interest-free guarantee deposit 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 development of new cemetery project located in Langfang relocation and settlement zone, Beijing, and should there be no breach on the part of Langfang Wantong before the official commencement of operation of the cemetery, Xinhangcheng shall within 90 days therefrom refund the guarantee deposit to Langfang Wantong.

12. TRADE AND OTHER PAYABLES

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,122	2,180
Accrued expenses	3,977	11,229
	<u>6,099</u>	<u>13,409</u>

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

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	886	2,041
1 to 2 years	1,133	51
2 to 3 years	15	—
Over 3 years	88	88
	2,122	2,180

13. CONTRACT LIABILITIES

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

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of burial plots	2,220	2,437
Provision of cemetery maintenance services (<i>note</i>)	69,007	63,442
	71,227	65,879
Current	8,033	7,687
Non-current	63,194	58,192
	71,227	65,879

Note: The increase in contract liabilities in the current year was mainly due to the long-term advances received from customers. Customers who purchase burial services are required to make advance payments for maintenance fees, relating to the on-going cemetery maintenance services of their burial plots and memorials over 20 years, and such amounts are generally paid together with the purchase of burial plots.

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

Year ended 31 December 2020

	Sales of burial plots <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>217</u>	<u>3,988</u>

Year ended 31 December 2019

	Sales of burial plots <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>1,600</u>	<u>3,635</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year, the Group was principally engaged in the sale of burial plots and columbarium units, provision of other burial-related services and provision of cemetery maintenance services in Langfang.

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

Burial services were the largest component of our revenue, representing 89.4% of our revenue for the year ended 31 December 2020 (2019: 94.0%).

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

Provision of cemetery maintenance services

We provide ongoing cemetery maintenance services as an integral part of our burial services to maintain our beautiful landscaped cemetery. Customers pay for maintenance fees upfront when they sign the sales contracts to purchase the burial plots. Our revenue from cemetery maintenance was RMB4.1 million for the year ended 31 December 2020 (2019: RMB3.8 million).

BUSINESS OUTLOOK AND RECENT DEVELOPMENT

The sales of the Group's burial services used to peak during February and March and around the Qing Ming Festival in the prior years. Due to the impact of the outbreak of the Novel Coronavirus ("COVID-19"), the Group had been facing significant challenges in its business development. With that said, the Group will continue to uphold its belief and cooperate with the government on the anti-epidemic work, focusing on upgrading our "Cloud Tomb-sweeping" services. On top of ensuring stable and ordered operation, we will continue to innovate and enhance our cemetery operations and provide quality services to our customers.

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

Focus on developing the JV Cemetery Project

Currently, the planning and tendering of the joint venture cemetery project (“JV Cemetery Project”) between the Group and Langfang Xinhangcheng Real Estate Development Co., Limited (廊坊市新航城房地產開發有限公司, “Xinhangcheng”) is completed. The JV Cemetery Project will be one of the major development projects of the Group next year. The Group will continue its proactive development and further communicate with other departments regarding matters concerning land expropriation and land use planning. The Directors believe that the implementation and the continued development of and investment into the JV Cemetery Project will facilitate the Group in consolidating and expanding its market position in Langfang and the Jing-Jin-Ji megalopolis.

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

Strengthen the market position in Langfang

Apart from the above JV Cemetery Project which facilitate the Group in further consolidating its market position and reputation in Langfang, the Company believes that a more elegant environment of the cemetery with warmer, more diversified and person-centered services would enable the Company to address the customers’ various needs and preferences. Thus, the Group will launch various product types at different price point and optimize its funeral services. Meanwhile, the Group will continuously upgrade and plan to further develop its cemetery, especially the environment in cemeteries, upgrade its facilities and diversify its service offerings. In addition to the further development of its cemetery as mentioned above, in terms of our funeral services, the Group will add more professional and diverse extended services. The Group will also increase its effort in promotion and marketing, utilizing online sales platforms to promote the services of the Group in multiple channels.

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

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

Expand the business scope to provide funeral services

The Group generated substantially all of its revenue from burial services and has also forged stable business relationship with a number of local funeral services providers which refer customers to the Group. The Directors believe, however, that one-stop-shop services integrating funeral and burial services are able to confer a significant competitive advantage, while also ensure a seamless and smooth experience at each stage of the process. The Group has set up service sites at Langfang Funeral Parlor (廊坊市殯儀館), and assigned specialists to introduce cemetery-related services, deal with pre-service business and promote to and identify prospective customers. The Group will continue to provide professional and general skill training for its employees and recruit funeral service specialists, in order to provide more professional and comprehensive services to our customers.

The Group will step up from providing only burial services to providing integrated funeral services and burial services, where we will launch different product types at different price points and add more professional and diverse extended services in aspects such as burial plot maintenance, burial and tomb-sweeping, so as to expand and enhance our service package. Meanwhile, the Group will proactively negotiate with the government and related departments of Langfang concerning the future cooperation plans, in order to provide more services for the locals and our customers, including the provision of burial services, funeral services and columbarium storage services, expanding our coverage through multiple channels.

The Group believes that the active progression and development of the JV Cemetery Project can further strengthen the brand power and reputation of the Group and allow for further recognition from the local government, which will facilitate the Group in competing for cooperation and expansion opportunities.

Tap further into the burial services market in the Jing-Jin-Ji megalopolis

Leveraging on the Group's strategic location in Langfang and proximity to regional hubs in the Jing-Jin-Ji megalopolis, the Group continues to pay effort to tap further into the burial services market in this region, especially in Beijing, where affordable burial plots have become increasingly sparse and local residents become increasingly mobile with the integration of communities and the construction of a web of high-speed intercity transportation infrastructure. On top of the existing cooperation, the Group will exert more effort in visiting, planning and relationship building, while formulating effective sales events and promotion plans. Meanwhile, the Group will continue to devote more marketing resources to serving the neighboring cities and further develop cooperation with local funeral services providers as its business partners, so as to explore quality partners through various channels.

Financial Review

Revenue

Our revenue for the year ended 31 December 2020 was substantially generated from: (i) sale of burial plots, which includes the control of the burial plots and headstones and other ancillary products to be used on the burial plots; (ii) sale of columbarium units, which includes the control of the columbarium units and other ancillary products to be used on columbarium units; (iii) other burial-related services such as the organization and conducting of interment rituals, the design, construction and landscaping of the burial plots, and the engraving of inscriptions and ceramic photographs on the headstones; and (iv) cemetery maintenance services. The table below sets forth a breakdown of our revenue:

	Year ended 31 December			
	2020	% of total	2019	% of total
	Revenue (RMB'000)	revenue %	Revenue (RMB'000)	revenue %
Burial Services				
Sales of burial plots	29,595	76.1%	30,228	47.7%
Sale of columbarium units	1,682	4.3%	24,886	39.3%
Provision of other burial-related services	3,484	9.0%	4,472	7.0%
	34,761	89.4%	59,586	94.0%
Provision of cemetery maintenance services	4,130	10.6%	3,791	6.0%
	38,891	100.0%	63,377	100.0%

Due to a single customer centralised the purchase of columbarium units of RMB24.9 million in 2019, the sale of the of columbarium units was at RMB1.7 million in 2020 (2019: RMB24.9 million), with an significant decrease of 93.2%, which contributed to the substantial decrease in total revenue for the year. The Group's revenue was decreased by 38.6% from RMB63.4 million for the year ended 31 December 2019 to RMB38.9 million for the year ended 31 December 2020.

Cost of sales and services

Cost of sales and services consist primarily of the costs we incurred in relation to the provision of our services. Our cost of sales and services was at RMB6.0 million in 2020 (2019: RMB12.8 million), with a decrease of 53.0%.

	Year ended 31 December			
	2020		2019	
		% of total		% of total
Cost of sales and services	cost of sales	cost of sales	Cost of sales	cost of sales
(RMB'000)	and services	and services	and services	and services
		%	(RMB'000)	%
Burial services	5,628	93.8%	12,150	95.2%
Cemetery maintenance	370	6.2%	613	4.8%
	<u>5,998</u>	<u>100.0%</u>	<u>12,763</u>	<u>100.0%</u>

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

The Group's cost of sales and services for burial service decreased significantly by 53% from RMB12.2 million in 2019 to RMB6.0 million in 2020, primarily due to the decrease in sales of the columbarium units in 2020. The Group's cost of sales and services for cemetery maintenance decreased from RMB0.6 million in 2019 to RMB0.4 million in 2020.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales and services. Our gross profit for 2020 and 2019 was RMB32.9 million and RMB50.6 million, respectively.

	Year ended 31 December			
	2020		2019	
	Gross profit	Gross profit	Gross profit	Gross profit
	(RMB'000)	margin %	(RMB'000)	margin %
Burial services	29,133	83.8%	47,436	79.6%
Cemetery maintenance	3,760	91.0%	3,178	83.8%
	<u>32,893</u>	<u>84.6%</u>	<u>50,614</u>	<u>79.9%</u>

Our overall gross profit margin for 2020 and 2019 was 84.6% and 79.9%, respectively. Our relatively high gross profit margins during the year were primarily due to (i) the relatively high gross profit margins in the burial industry; (ii) our ability to provide high-quality burial services; and (iii) the relatively low land acquisition cost for our cemetery.

The higher gross profit margin percentage for 2020 is mainly due to higher construction costs of the new columbaria resulting in a lower gross profit margin for the sale of certain columbarium units in 2019. The gross profit margin percentage of the provision of cemetery maintenance services increased by approximately 7%-point year-on-year, mainly due to higher other greening sporadic expenses in 2019.

Other income

The Group's other income increased significantly by 106.1% from RMB4.9 million in 2019 to RMB10.1 million in 2020. This increase was primarily due to an amount payable of RMB6.0 million was waived by the counter party.

Distribution and selling expenses

Our distribution and selling expenses increased by 6.4% from RMB6.6 million for 2019 to RMB7.1 million for 2020. This increase was primarily due to higher commission and disbursements for promoting the sales of burial plots during the year given the impact of COVID-19.

Administrative expenses

Our administrative expenses decreased significantly by 49.0% from RMB16.7 million for 2019 to RMB8.5 million for 2020. This decrease was primarily due to the professional fees and other expenses relating to the transfer of listing from GEM to Main Board in 2019, amounting to approximately RMB10.0 million, whereas in 2020, less professional fees were incurred for certain investment projects.

Profit before tax

As a result of the above, our profit before tax decreased by 24.3% from RMB33.3 million for 2019 to RMB25.2 million for 2020.

Income tax expense

Our income tax expense decreased by 21.4% from RMB9.8 million for 2019 to RMB7.7 million for 2020, generally consistent with the decrease of our revenue and profit.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year decreased by 25.5% from RMB23.6 million for 2019 to RMB17.5 million for 2020. Our net profit margin increased from 37.2% for 2019 to 45.1% for 2020, primarily due to the decrease in revenue in 2020 with lower sales of columbarium units, partly offset by higher other income and lower administrative expenses as there are professional fees and other administrative expenses incurred in connection with the application for the transfer of listing from GEM to Main Board in 2019.

Earnings per share

The basic earnings per share for the year ended 31 December 2020 calculated based on the number of 1,000,000,000 ordinary shares was RMB0.018 (basic earnings per share for the year ended 31 December 2019: RMB0.024).

Cash Flow

Our cash and cash equivalents increased by RMB8.4 million to RMB197.6 million as at 31 December 2020 from RMB189.3 million as at 31 December 2019, principally attributable to the net cash inflow of RMB9.0 million from our operating activities.

Pledge of assets

There was no charge on the Group's assets as at 31 December 2020 and 2019.

Inventories

Our inventories primarily consist of burial plots, columbarium units, headstones and others. The related carrying amounts of the cemetery assets attributable to the burial plots and columbarium units are transferred to inventory upon the commencement of development of cemetery assets into burial plots with the intention of sale in the ordinary course of business. Headstones are recognised as inventory when they are contracted for sale and set up in the cemetery. Inventories are transferred to cost when the customer obtains the control of the burial plot. Our inventories remained fairly stable with a slight decrease from RMB19.3 million as at 31 December 2019 to RMB18.6 million as at 31 December 2020.

Prepayments and other receivables

Our prepayments and other receivables increased from RMB0.7 million as at 31 December 2019 to RMB9.3 million as at 31 December 2020, mainly due to the guarantee deposit of RMB8.0 million for the JV Cemetery Project included in 2020.

Trade and other payables

Our trade and other payables decreased by 54.5% from RMB13.4 million as at 31 December 2019 to RMB6.1 million as at 31 December 2020, the decrease is mainly due to RMB6.0 million payable was waived by the counter party.

Contract liabilities

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

As at 31 December 2020, current contract liabilities amounted to RMB8.0 million (as at 31 December 2019: RMB7.7 million). The current contract liabilities remains stable with a slight increase.

As at 31 December 2020, non-current contract liabilities amounted to RMB63.2 million (as at 31 December 2019: RMB58.2 million). The increase in non-current contract liabilities is mainly due to increase in advances from customers during the current year.

Capital structure

During the year ended 31 December 2020, there was no change to the capital structure of the Company.

Liquidity and financial resources

As at 31 December 2020, we had bank balances and cash of approximately RMB197.6 million (2019: RMB189.3 million). We have financed our working capital, capital expenditures and other capital requirements primarily through income generated from our operations. In the future, we expect to fund our capital expenditures, working capital and other capital requirements from the Group's bank balances and cash, cash generated from our operations and other borrowings.

Gearing ratio

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

As at 31 December 2020, the gearing ratio of the Group, being total liabilities to total assets, was 32.9% (2019: 35.2%), which indicates the Group's healthy liquidity position.

Employee remuneration and relations

As at 31 December 2020, the Group had a total of 57 employees (2019: 59 employees). The Group provides employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

Operating lease

As at 31 December 2020, the Group had minimum lease payments receivable of approximately RMB0.2 million (2019: RMB0.2 million).

Commitments

As at 31 December 2020, the Group had capital commitments in respect of expenditure in cemetery assets and property, plant and equipment of approximately RMB0.2 million (2019: RMB0.3 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020 (2019: nil).

Significant Investments, Acquisitions and Disposals

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

JV Company will be responsible for land resumption, construction and operations and management of the new airport (Langfang area), relocation and settlement zone, Beijing Cemetery JV Project. The Company will continue to actively develop the Cemetery JV Project, and a contract will be signed with the planning company. Simultaneously, will further communicate with the district government of the land demolition and acquisition issue.

Further details of the Cemetery JV Project were set out in the announcement of the Company dated 30 June 2020 and 7 July 2020 and the circular of the Company dated 25 August 2020.

Foreign currency risk

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

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

Neither the Company nor its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2020.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In view of the transfer of listing of the issued shares of the Company from GEM of the Stock Exchange to the Main Board of the Stock Exchange on 17 December 2019, a special resolution was proposed at the annual general meeting in 2020 for the shareholders of the Company to consider, and if through fit, approve the proposed amendment(s) to the Articles of Association of the Company. The resolution was duly passed by the shareholders of the Company at the annual general meeting of the Company convened on 22 June 2020.

CORPORATE GOVERNANCE

The Company is committed to establish and maintain good corporate governance practices and procedures. For the year ended 31 December 2020, the Board has adopted its own code on corporate governance practices which incorporate all the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Directors of the Company will continue to review its corporate governance practices in order to enhance its corporate governance standard and ensure further standards be put in place by reference to the recommended best practices whenever suitable and appropriate. The Directors confirm that the Company have complied with the code provisions of the Corporate Governance Code and the code on corporate governance practices of the Company during the year ended 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors’ and employees’ securities transactions (“Securities Dealing Code”). Having made specific enquiry of all the Directors and members of the senior management, they have confirmed their compliance with required standard set out in the Securities Dealing Code during the year.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s consolidated financial statements for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group with the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made, and recommended to the Board for approval.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2020 is scheduled to be held on Thursday, 24 June 2021 (the “AGM”). A notice convening the AGM will be issued and disseminated to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 June 2021 to Thursday, 24 June 2021 (both days inclusive) during which no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM of the Company, all completed transfer documents accompanying with the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 18 June 2021.

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

Hong Kong, 29 March 2021

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