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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in CHINA WAN TONG YUAN (HOLDINGS) LIMITED, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

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# 萬桐園

## CHINA WAN TONG YUAN (HOLDINGS) LIMITED

### 中國萬桐園(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6966)

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

**Independent Financial Adviser to the Independent Board Committee and  
Independent Shareholders**



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

A letter from the Board is set out on pages 6 to 20 of this circular.

A notice convening the EGM to be held at Unit 3707A, 37th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 30 June 2022 at 11:30 a.m. is set out on pages 50 to 52 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

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

#### PRECAUTIONARY MEASURES FOR THE EGM

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

- Compulsory temperature checks;
- Compulsory wearing of surgical face masks;
- No provision of refreshments and/or souvenirs;
- Scan the "LeaveHomeSafe" EGM QR Code; and
- Comply with the requirements of the "Vaccine Pass Direction".

Any attendee, who (i) does not comply with the precautionary measures; (ii) is subject to any mandatory quarantine (including home quarantine) imposed by the Government or has close contact with any person under quarantine; (iii) is subject to the Government's prescribed testing requirement or direction and has not tested negative; or (iv) has any flu-like symptoms or is otherwise unwell, may be denied entry into or be required to leave the EGM venue, at the absolute discretion of the Company as permitted by law.

The Company would like to encourage Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

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

10 June 2022

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## PRECAUTIONARY MEASURES FOR THE EGM

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In view of the ongoing COVID-19 pandemic and in line with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- Compulsory temperature checks;
- Compulsory wearing of surgical face masks;
- No provision of refreshments and/or souvenirs;
- Scan the "LeaveHomeSafe" EGM QR Code; and
- Comply with the requirements of the "Vaccine Pass Direction".

Any attendee, who (i) does not comply with the precautionary measures; (ii) is subject to any mandatory quarantine (including home quarantine) imposed by the Government or has close contact with any person under quarantine; (iii) is subject to the Government's prescribed testing requirement or direction and has not tested negative; or (iv) has any flu-like symptoms or is otherwise unwell, may be denied entry into or be required to leave the EGM venue, at the absolute discretion of the Company as permitted by law.

In the interests of all stakeholders' health and safety and in response to the relevant guidelines prescribed by the Hong Kong Government on prevention and control of COVID-19 pandemic, Shareholders are reminded that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights, and are strongly encouraged to appoint the chairman of the EGM as proxy to attend and vote on the relevant resolutions at the EGM by completing form of proxy in accordance with the instructions printed thereon instead of attending the EGM or any adjourned meeting in person.

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

If Shareholders have any questions relating to the EGM, they may at any time send their enquiries and concerns with contact information of the requisitionists in writing to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 16 May 2022 in relation to the Extension of Loan
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China VAST”	China VAST Industrial Urban Development Company Limited (中國宏泰產業市鎮發展有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange with stock code 6166
“China VAST Group”	China VAST and its subsidiaries
“Circular”	the circular of the Company dated 4 June 2021 in relation to the Loan Agreement and the Loan thereunder
“Company”	China Wan Tong Yuan (Holdings) Limited (中國萬桐園(控股)有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deed of Extension”	the deed of extension entered into between the Company as lender and China VAST as borrower dated 16 May 2022 relating to the Extension of Loan
“Director(s)”	the director(s) of the Company
“Drawdown Date”	2 July 2021
“Effective Date”	2 July 2022
“EGM”	an extraordinary general meeting of the Company to be held on 30 June 2022 for the Independent Shareholders to consider, and if thought fit, approve the Extension of Loan
“Extended Repayment Date”	the date falling 24 months after the Effective Date or such other date as agreed in writing between China VAST and the Company

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## DEFINITIONS

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“Extension of Loan”	the extension of the Original Repayment Date for a period of 24 months to the Extended Repayment Date under the Deed of Extension
“Group”	the Company and its subsidiaries
“Guarantee”	a guarantee and indemnity provided by the Guarantor and in favour of the Company to secure the payment of all sums outstanding under the Loan Agreement (as amended and supplemented by the Deed of Extension) and the performance of China VAST of all its obligations under the Loan Agreement (as amended and supplemented by the Deed of Extension) pursuant to a deed of guarantee entered into between the Company as lender and the Guarantor as guarantor on 7 May 2021 (the “ <b>Deed of Guarantee</b> ”)
“Guarantor” or “Profit East”	Profit East Limited (利東有限公司), a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is legally and beneficially owned by Ms. Zhao Ying
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent Board committee of the Company comprising Mr. Cheung Ying Kwan and Mr. Choi Hon Keung, Simon, being all the independent non-executive Directors except Dr. Wong Wing Kuen, Albert who is deemed to have a material interest in the Extension of Loan by virtue of his position as an independent non-executive director of China VAST, formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Extension of Loan
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Extension of Loan
“Independent Shareholders”	Shareholders other than Tai Shing International Investment Company Limited, Ms. Zhao Ying and their respective associates

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## DEFINITIONS

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“JV Cemetery Project”	a cemetery joint venture project located in new airport (Langfang area), relocation and settlement zone, Beijing* (北京新機場(廊坊區域)回遷安置區公墓項目), the details of which are set out in the announcement and circular of the Company dated 30 June 2020 and 24 August 2020, respectively, and relevant subsequent development (including cooperation leading to the acquisition and reformation of land and construction and development of the project)
“Latest Practicable Date”	7 June 2022, being the latest practicable date before the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) lent to China VAST by the Company on the terms and subject to the conditions set out in the Loan Agreement
“Loan Agreement”	the loan agreement entered into between the Company as lender and China VAST as borrower dated 7 May 2021 relating to the Loan
“Original Repayment Date”	the date falling twelve (12) months after the Drawdown Date, i.e. 1 July 2022
“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“The Hope Trust”	an irrevocable discretionary trust with TMF (Cayman) Ltd. as trustee for the benefit of Ms. Zhao Ying and her issue. Ms. Zhao Ying is the sole settlor and sole member of The Hope Trust’s protective committee, and is the founder of The Hope Trust who can influence how the trustee exercises its discretion under Part XV of the SFO
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent



萬桐園

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

**中國萬桐園(控股)有限公司**

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

**(Stock code: 6966)**

*Non-executive Director:*

Ms. Zhao Ying (*Chairman*)

*Executive Directors:*

Ms. Li Xingying

Ms. Wang Wei

Mr. Huang Peikun

*Independent Non-executive Directors:*

Mr. Cheung Ying Kwan

Dr. Wong Wing Kuen, Albert

Mr. Choi Hon Keung, Simon

*Registered Office:*

2nd Floor

The Grand Pavilion Commercial Centre

802 West Bay Road, P.O. Box 10338

Grand Cayman KY1-1003

Cayman Islands

*Principal Place of Business in*

*Hong Kong:*

Unit 3707A, 37th Floor

West Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

10 June 2022

*To the Shareholders*

Dear Sir or Madam,

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

**1. INTRODUCTION**

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

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



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## LETTER FROM THE BOARD

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Committee and the Independent Shareholders in relation to the Extension of Loan; (iv) other information required to be included in this circular under the Listing Rules; and (v) a notice convening the EGM.

### 2. BACKGROUND

Reference is made to the announcement of the Company dated 7 May 2021 and the Circular in relation to the Loan Agreement. On 7 May 2021, the Company as lender and China VAST as borrower entered into the Loan Agreement, pursuant to which the Company has agreed to provide the Loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to China VAST for a term of one year at an interest rate of 12% per annum.

As disclosed in the Circular, the Original Repayment Date is the date falling twelve (12) months after the Drawdown Date or such other date as agreed in writing between China VAST and the Company. Should the parties agree to extend the Original Repayment Date beyond twelve (12) months after the Drawdown Date, the Company will re-comply with all relevant Listing Rules requirements, including the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Loan has been drawn by China VAST on the Drawdown Date (i.e. 2 July 2021) and the Original Repayment Date is therefore 1 July 2022. All amounts borrowed by China VAST under the Loan shall be used for general working capital and shall not be used for any other purposes.

### 3. THE LOAN AGREEMENT

The principal terms of the Loan Agreement are set out below:

Principal Amount	:	RMB100,000,000 (or its equivalent in Hong Kong dollars)
Purpose	:	All amounts borrowed by China VAST under the Loan shall be used for general working capital and shall not be used for any other purposes.
Repayment Date	:	The Original Repayment Date, being the date falling twelve (12) months after the Drawdown Date or such other date as agreed in writing between China VAST and the Company.
Interest Rate	:	Twelve percent (12%) per annum (the “ <b>Interest Rate</b> ”), payable on the Original Repayment Date.
Repayment	:	China VAST shall repay or pay the principal of the Loan and all accrued interest on the Loan in full on the Original Repayment Date.

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## LETTER FROM THE BOARD

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

- Prepayment : China VAST is entitled to make early repayment of the Loan in full or in part to the Company before the Original Repayment Date by giving to the Company not less than one month's prior written notice, specifying the amount to be repaid and the date on which the early repayment is to be made, and China VAST shall, on the date of early repayment, pay to the Company all accrued interest on the amount to be early repaid. Any prepayment notice given by China VAST under any provision of the Loan Agreement shall be irrevocable and China VAST shall be bound to make a prepayment in accordance therewith.
- Default Interest : In the event that, and for so long as, any event of default shall have occurred and be continuing, the outstanding principal balance of the Loan and, to the extent permitted by law, overdue interest in respect of the Loan, shall accrue interest at the Interest Rate plus 3% per annum (the "**Default Interest**"), calculated from the date such payment was due without regard to any grace or cure periods contained in the Loan Agreement up to the date of actual payment. Any default interest accruing shall be immediately payable by China VAST on demand by the Company.
- Guarantee : The Guarantor shall provide the Guarantee in favour of the Company to secure the payment of all sums outstanding under the Loan Agreement and the performance of China VAST of all its obligations under the Loan Agreement.

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## LETTER FROM THE BOARD

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### 4. EXTENSION OF LOAN

On 16 May 2022, the Company and China VAST entered into the Deed of Extension, pursuant to which the parties have conditionally agreed that, among others, with effect from the Effective Date, the Original Repayment Date shall be extended for a period of 24 months to the Extended Repayment Date.

The principal terms of the Deed of Extension are set out below:

#### **Date**

16 May 2022

#### **Parties**

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

As at the Latest Practicable Date, Ms. Zhao Ying is a Director and is, through The Hope Trust, interested in 700,000,000 Shares, representing 70% of the issued share capital of the Company. She is also, through The Hope Trust and Profit East, interested in an aggregate of 727,845,654 shares of China VAST, representing 44.08% of the issued share capital of China VAST. Accordingly, Ms. Zhao Ying is a controlling shareholder of both the Company and China VAST and China VAST is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

#### **Subject Matter**

Pursuant to the Deed of Extension, it was mutually agreed by the parties that, among others, subject to the fulfillment of the conditions precedent under the Deed of Extension, the Original Repayment Date shall be extended for a period of 24 months to the Extended Repayment Date with effect from the Effective Date.

Interest : China VAST shall on the Original Repayment Date pay interest on the Loan accruing from and including the Drawdown Date to and including the Original Repayment Date.

The interest rate remains unchanged at 12% per annum.

Interest on the Loan (as extended) shall accrue at the interest rate of 12% from and including the Effective Date to and including the Extended Repayment Date and shall be calculated on the basis of the actual number of days elapsed and a year of 365 days.

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## LETTER FROM THE BOARD

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China VAST shall pay interest annually in arrears on the first anniversary of the Effective Date (i.e. 2 July 2023) and the second anniversary of the Effective Date (i.e. 2 July 2024).

- Guarantee : The Guarantor and the Company have confirmed that the Guarantee remains to be effective which secures the payment of all sums outstanding under the Loan Agreement (as amended and supplemented by the Deed of Extension) and the performance of China VAST of all its obligations under the Loan Agreement (as amended and supplemented by the Deed of Extension).
- Default Interest : The Default Interest remains to be the interest rate (i.e. 12%) plus 3% per annum (i.e. in aggregate 15% per annum), calculated from the due date of the defaulted payment without regard to any grace or cure periods contained in the Loan Agreement (as amended and supplemented by the Deed of Extension) up to the date of actual payment. Any Default Interest accruing shall be immediately payable by China VAST on demand by the Company.
- Conditions Precedent : The Deed of Extension shall only become effective on the Effective Date upon the fulfilment of all the following conditions precedent:
- (a) The representations and warranties of China VAST contained in the Loan Agreement shall be true and correct in all material respects on and as of the date of the Deed of Extension and the Effective Date (with the same effect as if made on and as of such date), and no event of default shall have occurred and be continuing; and China VAST shall be in compliance in all material respects with all terms and conditions set forth in the Loan Agreement (as amended and supplemented by the Deed of Extension).
  - (b) The approval by the Independent Shareholders of the Deed of Extension and the transactions contemplated thereunder at the EGM in accordance with, and all other consents and acts required under, the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange.

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## LETTER FROM THE BOARD

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- (c) The compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance at any time on or prior to the Effective Date (whether applicable to the Company or China VAST).
- (d) (If required) all requisite waivers, consents and approvals from any relevant governmental authority or regulatory authorities or other relevant third parties, in connection with the Deed of Extension and the transactions contemplated thereunder having been obtained.
- (e) The obligations of the Guarantor under the Guarantee remaining valid and effective in accordance with its terms, and the Guarantee not having been terminated in accordance with its terms or otherwise.
- (f) China VAST having on the Original Repayment Date paid interest on the Loan accruing from and including the Drawdown Date to and including Original Repayment Date.

Other than conditions precedent (b), (c), (d) and (e), all the conditions precedent may be waived by the Company in its sole and absolute discretion.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

Save for the Extension of Loan and other amendments disclosed in this circular, all the material terms and conditions of the Loan Agreement shall remain in full force and effect.

The terms of the Deed of Extension are agreed upon by the parties after arm's length negotiations and having regard to the prevailing market terms, the financial background of China VAST, commercial practices, the factors that the Board has considered in its determination of the Extension of Loan as set out in the section headed "5. Reasons for and benefit of the Extension of Loan" of this circular and the Guarantee provided by the Guarantor. The Company has compared the terms of the Deed of Extension with prevailing market terms obtained by way of market research of comparable loan transactions publicly announced by other listed companies, including interest rate, term of loan and security provided. It is the Board's view that the terms of the Extension of Loan are no less favourable than those under the referenced

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## LETTER FROM THE BOARD

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comparable loan transactions. The Company has also considered the financial capability of China VAST, based on the major financial indicators as disclosed in its audited consolidated financial results for the year ended 31 December 2021 and its repayment plan. The Company is therefore satisfied that the terms of the Extension of Loan fairly and appropriately reflect the good repayment capability and relatively mild credit risk exposure of the Company. The Board has also taken into account the Guarantee provided by the Guarantor, which further reduces the Company's exposure to default risks under the Loan (as extended). For further details on the Company's assessment and consideration of China VAST's repayment capability, the effect of the Guarantee and the Company's credit exposure, please refer to the sub-section headed "5. Reasons for and benefit of the Extension of Loan — Credit risks and Exposure of the Company" of this circular. Furthermore, the management of the Company has, based on its experience in the capital market and with the assistance of its professional advisers, negotiated with China VAST on an arm's length basis having regard to relevant market templates and loan transaction precedents. Hence, the Company is of the view that the terms of the Extension of Loan were consistent with market and commercial practices.

The Default Interest rate of 15% per annum was determined after arm's length negotiation as part of the overall negotiation in relation to the Extension of Loan between the Company and China VAST. The Company has considered the financial condition and repayment capability of China VAST and the low risk of default, and is of the view that the Default Interest rate of 15% is sufficient to mitigate the risk of default in respect of the Loan (as extended). The Company has also taken into account the recent comparable loan transactions, and the current applicable loan prime rates of 3.70% and 4.45% promulgated by the People's Bank of China for a term of one year and over five years, respectively; and the HK\$ prime lending rate of approximately 5% adopted by the prominent commercial banks in Hong Kong. In light of the above, the Directors believe that the Default Interest rate is on normal commercial terms and is fair and reasonable to the Company.

### **5. FINANCIAL EFFECT**

#### **Assets**

The Loan will continue to be recorded as loan receivables under non-current assets of the Company. The total assets of the Group will remain unchanged.

#### **Liabilities**

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

#### **Earnings**

The Group is expected to recognise an annual interest income of RMB12,000,000 (RMB24,000,000 in total during the term of the Deed of Extension, assuming there is no early repayment).

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## LETTER FROM THE BOARD

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

### 6. REASONS FOR AND BENEFITS OF THE EXTENSION OF LOAN

The Board has taken into account a number of factors before entering into the Deed of Extension:

- (i) as disclosed in the annual report of the Company published on 27 April 2022, as at 31 December 2021, the Company had bank balances and cash of approximately RMB84.4 million. As at 30 April 2022, the Group had bank balance and cash of at least RMB85.0 million. As at 31 December 2021, the gearing ratio of the Group, being total liabilities to total assets, was 32.6%, which indicates the Group's healthy liquidity position. The Group also had no material contingent liabilities as at 31 December 2021.

Although the Group has been actively seeking business opportunities to expand its burial services business, including but not limited to liaising with relevant local governments in respect of a partnership in relation to the development of the Group's burial services, as at the Latest Practicable Date, no major investment target has been identified other than the JV Cemetery Project. As at the Latest Practicable Date, the expected commitment for the JV Cemetery Project from the Group is approximately RMB60.3 million (the "**Expected Development Sum**"), which is expected to be paid by the Group in the 24 months from May 2022.

Based on the budget of the Group, having considered the bank balances and cash of the Company, the Company's current capital commitment, the Expected Development Sum and the Group's estimated cashflow forecast in the next 24 months, the Group considers that the Extension of Loan will not affect the working capital or daily operations of the Group. The Group currently has no intention to seek, or demand for, additional loans to finance its daily operations until the Extended Repayment Date. The Directors have also considered that the Group is not engaged in the business of securities trading and investment nor money lending, and were of the view that the Extension of Loan represents a standalone opportunity presented to the Group to utilize its idle fund with an aim of improving the return from its idle funds.

As at the Latest Practicable Date, the Group has no significant capital commitments and has not identified any quality and attractive investments opportunities consistent with the business plan, development strategy and risk appetite of the Group for the utilization of its idle funds (including the outstanding principal amount under the Loan due to be repaid on the Original Repayment Date). Therefore, the Company is of the view that the outstanding principal amount of the Loan, if repaid on the Original Repayment Date, would remain to be idle funds of the Company. The Extension of Loan would enable the



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## LETTER FROM THE BOARD

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Company to attain better utilization of the idle funds and generate reasonable return for its idle funds pending deployment of such funds for the Group's business development needs after the maturity of the Loan (as extended).

- (ii) the Extension of Loan would enable the Company to generate reasonable return for its idle funds pending deployment of such funds for the Group's business development needs after the maturity of the Loan (as extended). The Loan (as extended) carries an interest at the rate of 12% per annum, with the benefit of the Guarantee in favour of the Company. The Loan (as extended) will provide interest income to the Group at an interest rate higher than those available to the Group under short-term deposits and low-risk wealth management products. The 12% annual interest rate of the Loan is evidently higher than the interest rate available to the Group for placing 24-months' time cash deposits with commercial banks in the PRC and/or Hong Kong (ranging from 2.3% to 3.05% per annum as in May 2022) and the benchmark interest rate promulgated by the People's Bank of China for fixed deposits of two years in the PRC of 2.1% per annum, as at the Latest Practicable Date.

The Extension of Loan would enable the Company to obtain a substantially higher interest income with reasonable risks exposure, which would, on balance, represent a more attractive option to the Company in utilizing its idle funds as compared with placing short-term deposits at banks or investing in low-risk wealth management products. As compared with other investment opportunities, such as equity investments which generally have longer financial return cycle and high-yield debts which generally have higher default risks, the Loan (as extended) provides a more predictable interest income and higher certainty in terms of timeline of capturing the interest income.

- (iii) based on the Company's due diligence enquiries and review of documents and/or information, to the best of the knowledge of the Company, China VAST has a good credit history with sizable assets in the context of the Loan (as extended) and the Directors considered the risk of default by China VAST is proportionately remote. Based on the consolidated audited financial statements as at 31 December 2021 of the China VAST Group, the net assets value and net current assets value of the China VAST Group amounted to approximately RMB6.2 billion and RMB4.4 billion respectively.
- (iv) under the Extension of Loan, the Loan (as extended) will continue to have the benefit of the Guarantee. As at the Latest Practicable Date, the Guarantor holds 43.79% of the shares of China VAST, a company the shares of which are listed on the Stock Exchange having a market capitalisation of approximately HK\$3.07 billion as at the Latest Practicable Date (based on the average closing price per share for the immediately preceding five trading days before its trading halt on 6 June 2022). The Company has also conducted evaluation on the financial conditions of the Guarantor. In particular, the Company has taken into account



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## LETTER FROM THE BOARD

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that, based on the unaudited management accounts of the Guarantor as at 31 December 2021, the total assets and net assets of the Guarantor amounted to approximately HK\$2.3 billion and HK\$2.3 billion, respectively.

Pursuant to the Guarantee, the Guarantor provides an unconditional and irrevocable guarantee in favour of the Company for the payment of all sums outstanding under the Loan Agreement (as amended and supplemented by the Deed of Extension) and the performance of China VAST of all its obligations under the Loan Agreement (as amended and supplemented by the Deed of Extension). The Guarantor also provides an unconditional and irrevocable indemnity to the Company for all losses, liabilities, damages, costs and expenses whatsoever arising out of any failure of China VAST in the due and punctual observance of its obligations under the Loan Agreement (as amended and supplemented by the Deed of Extension). The Directors will monitor the financial conditions of the Guarantor and exercise its information right in accordance with the terms and conditions of the Loan Agreement (as amended and supplemented by the Deed of Extension) so as to ensure that the Company's interest is safeguarded.

Based on the above, despite the Extension of Loan is not in the ordinary and usual course of business of the Company, the Directors (including the disinterested members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular after considering the advice from the Independent Financial Adviser) consider that the Extension of Loan is on normal commercial terms, and that the terms of the Deed of Extension and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

## **7. INFORMATION OF THE PARTIES**

### **Information of the Company and the Group**

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

### **Information of China VAST**

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

As at the Latest Practicable Date, Ms. Zhao Ying was a controlling shareholder of China VAST and was through The Hope Trust and Profit East, interested in an aggregate of 727,845,654 shares of China VAST, representing 44.08% of the issued share capital of China VAST. China VAST is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

### **Information of the Guarantor**

The Guarantor is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is directly and ultimately and beneficially owned by Ms. Zhao Ying. The Guarantor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, the Guarantor holds 723,092,654 shares of China VAST (representing approximately 43.79% of the issued share capital of China VAST) and is principally engaged in investment holding.

## **8. INTERNAL CONTROL AND RISK MANAGEMENT MEASURES**

In order to properly mitigate the risks associated with the Loan (as amended and supplemented by the Deed of Extension), the Group will implement the following internal control and risk management measures:

- (1) The Company will designate specific personnel of its accounting/compliance department to monitor and report the liquidity status of China VAST to the management of the Company on a monthly basis. The designated personnel will regularly check the public disclosures of China VAST (including but not limited to annual and interim results and any announcements that may indicate a potentially significant business change) so as to identify any material corporate actions taken by China VAST, and he/she will also be responsible for the communications between China VAST and the Company so as to ensure that information is transmitted seamlessly between the parties.

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## LETTER FROM THE BOARD

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- (2) China VAST has, at the request of the Company, undertaken to use commercially reasonable endeavours to provide assistance for the purpose of fulfilling the Company's internal control measures, including but not limited to the provision of relevant financial documents and other information, provided that such assistance will not violate any applicable laws and regulations. The Company intends to request China VAST to provide relevant financial and/or business documents or information that the Company may reasonably request to assist it with its assessment of China VAST's financial condition. If the circumstance so warrants and where appropriate, the Company will invite the management of China VAST for a consultation in order to ensure that the Company has sufficient understanding towards China VAST and the information provide by it. The Company considers that the above measures would help the Company in ensuring that China VAST will be able to repay the Loan (as extended) in a timely manner.
- (3) The Guarantor has entered into the Deed of Guarantee (as extended) to provide a guarantee and indemnity in favour of the Company for the liabilities in connection with all the contractual obligations of China VAST under the Loan Agreement (as amended and supplemented by the Deed of Extension). This further mitigates the risks of the Company in providing the Loan (as extended). The Guarantor has also provided a similar undertaking in relation to its provision of commercially reasonable assistance to the Company with a view of fulfilling its internal control measures, provided that such assistance will not violate any applicable laws and regulations. This would benefit the Company as the Company may regularly monitor the financial condition and liquidity position of the Guarantor and hence provide more assurance to the Company in respect of the recoverability of the Loan (as extended).
- (4) The senior management of the Company will regularly report the status of the Loan (as extended) to the independent non-executive Directors (other than Dr. Wong Wing Kuen, Albert who is deemed to have a material interest in the Extension of Loan) by virtue of his position as an independent non-executive director of China VAST) and will seek their view in the event that any potential issue in respect of the Loan (as extended) and/or the Guarantee arises. Where necessary, the Company will seek advice from professional parties such as legal advisers and/or auditors.
- (5) the Company is vested with the right under the Loan Agreement to request early repayment of the Loan before the Repayment Date by giving the Early Repayment Request one month in advance, upon the receipt of which China VAST may within 10 business days elect whether to consent to such request. This provides a formal mechanism for negotiation and an opportunity to the Company to potentially recover the Loan before the Repayment Date as agreed in the Loan Agreement. This may afford both parties with flexibility to make arrangement for their respective capital needs taking into account their respective liquidity position.

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## LETTER FROM THE BOARD

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### 9. LISTING RULES IMPLICATIONS

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

As at the Latest Practicable Date, Ms. Zhao Ying was a Director and is, through The Hope Trust, interested in 700,000,000 Shares, representing 70% of the issued share capital of the Company. She was also, through The Hope Trust and Profit East, interested in an aggregate of 727,845,654 shares of China VAST, representing 44.08% of the issued share capital of China VAST. Accordingly, Ms. Zhao Ying is a controlling shareholder of both the Company and China VAST and China VAST is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

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

### 10. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Cheung Ying Kwan and Mr. Choi Hon Keung, Simon, being all the independent non-executive Directors except Dr. Wong Wing Kuen, Albert who is deemed to have a material interest in the Extension of Loan by virtue of his position as an independent non-executive director of China VAST, has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Extension of Loan.

Mr. Cheung Ying Kwan and Mr. Choi Hon Keung, Simon, being all the disinterested independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. To the best of knowledge, information and belief of the Directors, no member of the Independent Board Committee has any material interest in the Extension of Loan. A letter from the Independent Board Committee is set out on pages 21 to 22 of this circular.

### 11. INDEPENDENT FINANCIAL ADVISER

First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Extension of Loan. A letter from the Independent Financial Adviser is set out on pages 23 to 40 of this circular.

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## LETTER FROM THE BOARD

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### 12. EGM

The EGM will be convened and held at Unit 3707A, 37th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 30 June 2022 at 11:30 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Deed of Extension and the Extension of Loan contemplated thereunder.

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

The transfer books and register of members of the Company will be closed from Monday, 27 June 2022 to Thursday, 30 June 2022, both dates inclusive. During such period, no share transfers will be effected. In order to qualify for attending the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 24 June 2022.

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

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

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

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## LETTER FROM THE BOARD

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### 13. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 21 to 22 of this circular and the letter from the Independent Financial Adviser set out on pages 23 to 40 of this circular. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolution(s) regarding the Extension of Loan at the EGM.

The Directors (including the disinterested independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular after considering the advice from the Independent Financial Adviser) consider that although the Extension of Loan is not in the ordinary and usual course of business of the Company, it is on normal commercial terms, and the terms of the Extension of Loan are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the disinterested independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular after considering the advice from the Independent Financial Adviser) recommend all Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

### 14. FURTHER INFORMATION

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

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

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



萬桐園

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

**中國萬桐園(控股)有限公司**

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

**(Stock code: 6966)**

10 June 2022

*To the Shareholders*

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION  
EXTENSION OF LOAN**

We refer to the circular of the Company dated 10 June 2022 (the “**Circular**”) to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

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

We wish to draw your attention to the letter from the Board set out on pages 6 to 20 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 40 of the Circular which contains its opinion in respect of the Extension of Loan contemplated under the Deed of Extension.

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



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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

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

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

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



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

10 June 2022

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

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deed of Extension and the transaction contemplated thereunder (i.e. the Extension of Loan), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 10 June 2022 issued by the Company to the Shareholders (the “**Circular 2022**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular 2022, unless the context requires otherwise.

Reference is made to the announcement of the Company dated 7 May 2021 and its Circular dated 4 June 2021 in relation to the Loan Agreement entered between the Company as lender and China VAST as borrower, under which the Company has agreed to provide the Loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to China VAST for a term of one year at an interest rate of 12% per annum. The aforementioned transaction was approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 24 June 2021. As at the Latest Practicable Date, the outstanding principal amount of the Loan was RMB100,000,000. As disclosed in the Circular, the Original Repayment Date is the date falling twelve (12) months after the Drawdown Date or such other date as agreed in writing between China VAST and the Company. Should the parties agree to extend the Original Repayment Date beyond twelve (12) months after the Drawdown Date, the Company will re-comply with all relevant Listing Rules requirements, including the relevant requirements under Chapter 14

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and Chapter 14A of the Listing Rules. The Loan has been drawn by China VAST on the Drawdown Date (i.e. 2 July 2021) and the Original Repayment Date is therefore 1 July 2022.

On 16 May 2022, the Company and China VAST entered into the Deed of Extension, pursuant to which the Company have conditionally agreed that, among others, to extend the Original Repayment Date for a period of 24 months to the Extended Repayment Date with effect from the Effective Date. Save for the Extended Repayment Date and other amendments disclosed under sub-section headed “The Deed of Extension” mentioned in this letter, all the materials terms and conditions of the Loan Agreement shall remain in full force and effect.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Ms. Zhao Ying is a Director and is, through The Hope Trust, interested in 700,000,000 Shares, representing 70% of the issued share capital of the Company. She is also, through The Hope Trust and Profit East, interested in an aggregate of 727,845,654 shares of China VAST, representing 44.08% of the issued share capital of China VAST. Therefore, Ms. Zhao Ying is a controlling shareholder of both the Company and China VAST. Accordingly, China VAST is a connected person of the Company under Chapter 14A of the Listing Rules.

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

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

In addition, as (i) Ms. Zhao Ying (chairman of the Company and a non-executive Director) is a controlling shareholder of China VAST; (ii) Ms. Wang Wei (an executive Director) is daughter of Ms. Zhao Ying and an executive director of China VAST; and (iii) Dr. Wong Wing Kuen, Albert (an independent non-executive Director) is an independent non-executive director of China VAST; each of the above-mentioned Directors is deemed to have a material interest in the Deed of Extension and the transactions contemplated thereunder and has accordingly abstained from voting on the resolution(s) of the Board in connection with the Deed of Extension and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the other Directors have or are deemed to have a material interest in the Extension of Loan and is therefore required to abstain from voting at the EGM for the relevant resolution(s).

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Cheung Ying Kwan and Mr. Choi Hon Keung, Simon, being all the independent non-executive Directors except Dr. Wong Wing Kuen, Albert who is deemed to have a material interest in the Extension of Loan by virtue of his position as an independent non-executive director of China VAST, has been established in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Extension of Loan. We, First Shanghai Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the Extension of Loan are entered into on normal commercial terms and in the interest of the Company and the Shareholders as a whole; (ii) whether the terms of the Extension of Loan are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to be proposed at the EGM.

### OUR INDEPENDENCE

We have previously acted as an independent financial adviser to the then independent board committee and the independent Shareholders of the Company regarding the connected transaction contemplated under the Loan Agreement, details of which were set out in the Circular of the Company dated 4 June 2021 (the "**Previous Engagement**"). The professional fees in connection with the Previous Engagement have been fully settled. Save for the Previous Engagement, we have not acted as an independent financial adviser in relation to any transactions of the Company in the past two years. Apart from normal professional fees payable to us in relation to the Extension of Loan, we did not have any other relationships or interests among us and the Company, China VAST or their respective substantial shareholders or associates within the past two years that could be reasonably regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as an independent financial adviser.

Given (i) our independent role in the aforesaid engagement; (ii) none of the members of our parent group is a direct party to the Deed of Extension and the transaction contemplated thereunder; and (iii) our fee for this current engagement with the Company, in addition to that for the Previous Engagement, represented an insignificant percentage of revenue of our parent group, we considered that the Previous Engagement would not affect our independence, and we considered ourselves eligible to give independent advice in respect of the Extension of Loan.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, facts and representations supplied, and the opinions expressed to us, by the Group, the Directors and the management of the Group. We have assumed that all

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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statements of belief and intention made by the Directors in the Circular 2022 were made after due and careful enquiries. We have also assumed that all information, facts, representations and opinions made or referred to in the Circular 2022 were true, accurate and complete at the time they were made and will continue to be true, accurate and complete at the time of the EGM. We have reviewed, among others, the Deed of Extension, the Loan Agreement, the guarantee confirmation entered between the Guarantor and the Company dated 16 May 2022 (i.e. the Deed of Guarantee (as extended)), the announcement of the Company dated 16 May 2022, the Circular of the Company dated 4 June 2021, the annual reports for the year ended 31 December 2021 (the “**2021 Annual Report**”) of the Company and China VAST and other information as set out in the Circular 2022. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Group, the Directors and the management of the Group. We have been confirmed by the management of the Group that no material facts have been omitted from the information provided by or referred to in the Circular 2022.

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

We consider that we have reviewed sufficient information and documents to reach an informed view, to justify our reliance on the truth and accuracy of the information contained in the Circular 2022 and to provide a reasonable basis for our recommendation. Based on the foregoing, we also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. Details of our steps taken and analyses are set out in this letter.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation, we have taken into account the following principal factors and reasons:

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

##### *The Group*

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

Based on the 2021 Annual Report of the Company, the Group has been enjoying stable revenue and persistent profits during the past five years. According to the 2021 Annual Report of the Company, the Group recorded revenue and profit attributable to its owners of approximately RMB43.9 million and RMB18.1 million for the year ended 31 December 2021, respectively, representing an increase of approximately 13.0% and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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3.4%, respectively as compared to the prior year. The Group had net current assets of approximately RMB194.0 million and net assets of approximately RMB188.2 million, among which bank balances and cash of approximately RMB84.4 million, as of 31 December 2021. We also noted that the Group held abundant cash on hand which was more than sufficient to cover its entire current liabilities of approximately RMB20.5 million as at the same said date.

As advised by the management of the Group, while the Group does not have material immediate capital needs at present, the Group finances its daily working capital requirement mainly by internal resources. With reference to the 2021 Annual Report of the Company, net cash generated from operating activities of the Group amounted to approximately RMB18.7 million for the year ended 31 December 2021, increased by approximately 88.5% as compared to the prior year. There was no interest bearing loans or other borrowings as of 31 December 2021 and 31 December 2020.

### *China VAST*

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

According to the 2021 Annual Report of China VAST, it recorded revenue and profit attributable to its owners of approximately RMB1.5 billion and RMB159.0 million for the year ended 31 December 2021, respectively. As of 31 December 2021, China VAST had net current assets and net assets of approximately RMB4.4 billion and RMB6.2 billion, respectively. For the year ended 31 December 2021, net cash generated from operating activities of China VAST amounted to approximately RMB861.9 million. As at the Latest Practicable Date, market capitalisation of China VAST amounted to approximately HK\$3.0 billion.

As at the Latest Practicable Date, Ms. Zhao Ying is a controlling shareholder of both the Company and China VAST and is through The Hope Trust and Profit East, interested in an aggregate of 727,845,654 shares of China VAST, representing 44.08% of the issued share capital of China VAST. Accordingly, China VAST is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

### *The Guarantor*

The Guarantor is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is directly and ultimately and beneficially owned by Ms. Zhao Ying. The Guarantor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, the Guarantor holds 723,092,654 shares of China VAST (representing approximately 43.79% of the issued share capital of China VAST) and is principally engaged in investment holding.

## **2. Reasons for and benefit of the Extension of Loan**

With reference to the Letter from the Board, in entering into the Deed of Extension, the Company has considered a number of factors, including but not limited to (i) the Group's bank balances and cash on hand; (ii) the Group's current capital commitment and the Expected Development Sum and the budget of working capital for the next 24 months; (iii) better utilisation of idle funds; (iv) the financial and business conditions and credit profile of China VAST; and (v) the financial position of the Guarantor.

We noted that the Group had abundant cash and bank balances of approximately RMB84.4 million as at 31 December 2021, which was more than sufficient to cover its entire current liabilities of approximately RMB20.5 million as at the same said date. With reference to the 2021 Annual Report of the Company, we further noted that net cash generated from operating activities of the Group amounted to approximately RMB18.7 million for the year ended 31 December 2021, increasing by approximately 88.5% as compared to the prior year; and the gearing ratio of the Group, being total liabilities to total assets, was approximately 32.6%. Based on the bank statements provided by the Company, we also noted that as of 30 April 2022, the Group had bank balances and cash of at least RMB85.0 million. The Directors further confirmed that the Group has no intention to seek, or demand for, additional loans to finance its daily operations during the term of the Deed of Extension as the Group finances its daily working capital requirement mainly by internal resources. As such, we concur with the management that, the liquidity of the Group was still on a healthy position.

According to the 2021 Annual Report of the Company, a cemetery joint venture project located in new airport (Langfang area), relocation and settlement zone, Beijing\* (北京新機場(廊坊區域)回遷安置區公墓項目) (“**JV Cemetery Project**”) is one of the major development projects of the Group in 2021 and 2022, details of which are set out in the announcement and circular of the Company dated 30 June 2020 and 24 August 2020, respectively. The planning and tendering of the JV Cemetery Project was completed in 2021. We have obtained and reviewed the latest schedule of total estimated investment and capital expenditure of the JV Cemetery Project prepared by the Group, as at the Latest Practicable Date, the total estimated investment costs to be incurred for the JV Cemetery Project are approximately RMB60.3 million in the next 24 months from May 2022 (i.e. Expected Development Sum). As advised by the management of the Group, apart from the aforesaid Expected Development Sum, the Group has no significant capital commitments as at the Latest Practicable Date.

As advised by the management of the Group, the Group has been actively seeking business opportunities to expand its burial services business. With the impact brought by the outbreak of COVID-19, other than the JV Cemetery Project, the Group has not identified any quality and attractive investments opportunities consistent with the business plan, development strategy and risk appetite of the Group for the utilisation of its idle funds (including the outstanding principal amount of the Loan to be repaid on Original Repayment Date). The management of the Group also considered that investment opportunities such as equity investments would generally have longer financial return cycle.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We were also advised by the Company that apart from considering potential investment opportunities in burial services business, the Group also considered to invest in some principal-guaranteed products. However, the Directors were of the view that these products usually have lower interest rates and have fixed terms which will restrict the Group's ability to withdraw its funds before maturity. According to the 2021 Annual Report of the Company, the majority of bank balance which is currently placed in bank with effective interest rate of approximately 0.30% to 1.95% per annum. Based on the Deed of Extension, the Group shall be able to earn an annual interest income of RMB12.0 million (RMB24.0 million in total during the term of the Deed of Extension), representing approximately 66.2% of the Group's net profit for the year ended 31 December 2021.

After taking into account the Group's current liquidity and the Expected Development Sum, the Directors considered that the Extension of Loan will not negatively affect the working capital or daily operations of the Group. The Board is also of the view that the Extension of Loan will provide additional interest income to the Group at an interest rate higher than those available to the Group under short-term deposits and low-risk wealth management products, which then improves the return to Shareholders as a whole.

Furthermore, according to the Loan Agreement (as amended and supplemented by the Deed of Extension), the Company may at its absolute discretion deliver to China VAST an Early Repayment Request to require China VAST for early repayment of the principal of the Loan and all accrued interest on the Deed of Extension in full or in part at any time before the Repayment Date. In our opinion, such early repayment right provides an option and flexibility to the Group in the context to the Loan Agreement (as amended and supplemented by the Deed of Extension).

In relation to the financial and business conditions and credit profile of China VAST, the Company had conducted due diligence and evaluation on the financial conditions and credit risk assessment on the China VAST Group, including reviewing the consolidated audited financial statements as at 31 December 2021 of the China VAST Group (net assets value and net current assets value of approximately RMB6.2 billion and RMB4.4 billion as at 31 December 2021, respectively), the cash flow as well as understanding the business portfolio of China VAST. China VAST also had ample cash resources of which bank balances and cash of approximately RMB840.8 million as of the same said date which was more than sufficient to cover the entire Loan at principal amount of RMB100,000,000 and the accrued interest thereon. Also, to the best knowledge of the Company, China VAST have good credit history and with sizable assets.

In respect of the financial positions of the Guarantor, as stated in the Letter from the Board, based on the latest unaudited management accounts of the Guarantor as at 31 December 2021, the total assets and net assets of the Guarantor amounted to approximately HK\$2.3 billion and HK\$2.3 billion, respectively. We have also been provided with the bank statements of the Guarantor as of 31 March 2022 and noted the cash and bank balances as of the same date was approximately HK\$545.3 million, which could sufficiently cover the principal amount of the Loan and the interest thereon in the event that China VAST defaults.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### 3. The Loan Agreement

The principal terms of the Loan Agreement are summarised as follows:

<b>Principal Amount</b>	:	RMB100,000,000 (or its equivalent in Hong Kong dollars)
<b>Purpose</b>	:	All amounts borrowed by China VAST under the Loan shall be used for general working capital and shall not be used for any other purposes.
<b>Repayment Date</b>	:	The Original Repayment Date, being the date falling twelve (12) months after the Drawdown Date or such other date as agreed in writing between China VAST and the Company.
<b>Interest Rate</b>	:	Twelve percent (12%) per annum (the “ <b>Interest Rate</b> ”), payable on the Original Repayment Date.
<b>Repayment</b>	:	China VAST shall repay or pay the principal of the Loan and all accrued interest on the Loan in full on the Original Repayment Date.

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



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- Prepayment** : China VAST is entitled to make early repayment of the Loan in full or in part to the Company before the Original Repayment Date by giving to the Company not less than one month's prior written notice, specifying the amount to be repaid and the date on which the early repayment is to be made, and China VAST shall, on the date of early repayment, pay to the Company all accrued interest on the amount to be early repaid. Any prepayment notice given by China VAST under any provision of the Loan Agreement shall be irrevocable and China VAST shall be bound to make a prepayment in accordance therewith.
- Default Interest** : In the event that, and for so long as, any event of default shall have occurred and be continuing, the outstanding principal balance of the Loan and, to the extent permitted by law, overdue interest in respect of the Loan, shall accrue interest at the Interest Rate plus 3% per annum (the "**Default Interest**"), calculated from the date such payment was due without regard to any grace or cure periods contained in the Loan Agreement up to the date of actual payment. Any default interest accruing shall be immediately payable by China VAST on demand by the Company.
- Guarantee** : The Guarantor shall provide the Guarantee in favour of the Company to secure the payment of all sums outstanding under the Loan Agreement and the performance of China VAST of all its obligations under the Loan Agreement.

#### **4. The Deed of Extension**

We have obtained and reviewed the major terms of the Deed of Extension, which was mutually agreed by the parties that, among others, subject to the fulfillment of the conditions precedent under the Deed of Extension, that with effect from the Effective Date, the Original Repayment Date shall be extended for a period of 24 months to the Extended Repayment Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The principal terms of the Deed of Extension are summarised as follows:

**Interest Rate** : China VAST shall on the Original Repayment Date pay interest on the Loan accruing from and including the Drawdown Date to and including the Original Repayment Date.

The interest rate remains unchanged at 12% per annum.

Interest on the Loan (as extended) shall accrue at the interest rate of 12% from and including the Effective Date to and including the Extended Repayment Date and shall be calculated on the basis of the actual number of days elapsed and a year of 365 days.

China VAST shall pay interest annually in arrears on the first anniversary of the Effective Date (i.e. 2 July 2023) and the second anniversary of the Effective Date (i.e. 2 July 2024).

**Guarantee** : The Guarantor and the Company have confirmed that the Guarantee remains to be effective which secures the payment of all sums outstanding under the Loan Agreement (as amended and supplemented by the Deed of Extension) and the performance of China VAST of all its obligations under the Loan Agreement (as amended and supplemented by the Deed of Extension).

**Default Interest** : The Default Interest remains to be the Interest Rate (i.e. 12%) plus 3% per annum (i.e. in aggregate 15% per annum), calculated from the due date of the defaulted payment without regard to any grace or cure periods contained in the Loan Agreement (as amended and supplemented by the Deed of Extension) up to the date of actual payment. Any Default Interest accruing shall be immediately payable by China VAST on demand by the Company.

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- Conditions Precedent** : The Deed of Extension shall only become effective on the Effective Date upon the fulfillment of all the following conditions precedent:
- (a) The representations and warranties of China VAST contained in the Loan Agreement shall be true and correct in all material respects on and as of the date of the Deed of Extension and the Effective Date (with the same effect as if made on and as of such date), and no event of default shall have occurred and be continuing; and China VAST shall be in compliance in all material respects with all terms and conditions set forth in the Loan Agreement (as amended and supplemented by the Deed of Extension).
  - (b) The approval by the Independent Shareholders of the Deed of Extension and the transactions contemplated thereunder at the EGM in accordance with, and all other consents and acts required under, the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange.
  - (c) The compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance at any time on or prior to the Effective Date (whether applicable to the Company or China VAST).
  - (d) (If required) all requisite waivers, consents and approvals from any relevant governmental authority or regulatory authorities or other relevant third parties, in connection with the Deed of Extension and the transactions contemplated thereunder having been obtained.

- (e) The obligations of the Guarantor under the Guarantee remaining valid and effective in accordance with its terms, and the Guarantee not having been terminated in accordance with its terms or otherwise.
- (f) China VAST having on the Original Repayment Date paid interest on the Loan accruing from and including the Drawdown Date to and including Original Repayment Date.

Other than conditions precedent (b), (c), (d) and (e), all the conditions precedent may be waived by the Company in its sole and absolute discretion.

According to the Letter from the Board, as at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

The terms of the Deed of Extension, are agreed upon by the parties after arm's length negotiations and having regard to the prevailing market terms, the financial background of China VAST, commercial practices and the Guarantee provided by Guarantor. Save for the Extension of Loan and other amendments disclosed herein, all the material terms and conditions of the Loan Agreement shall remain in full force and effect.

## **5. Comparison with Comparable Transactions**

Despite the terms of loans may vary with difference individual factors including the duration of the loan, securities and/or guarantees attached to the loan as well as the condition of economy, we are of the view that a comparison with similar transactions announced by companies listed on the Stock Exchange would still provide a comprehensive picture of similar transactions and meaningful reference to certain terms in the recent market. Therefore, in order to further assess the fairness and reasonableness of the term, the Interest Rate, the Default Interest rate and the Deed of Guarantee (as extended), we have used our best endeavour to conduct an independent research from the website of the Stock Exchange and identified 11 comparable transactions (the “**Comparable Transactions**”) which (i) were announced by companies listed on the Stock Exchange pursuant to the Listing Rules or GEM Listing Rules from 1 February 2022 and up to 16 May 2022, being the date of the Deed of Extension, which in our view represents a sufficient period of time to reflect the prevailing market conditions for conducting such transactions; (ii) involved the provision of loan(s) to entities/individuals (excluding connected subsidiaries, joint ventures or commonly controlled entities of the lenders) without security or collaterals; and (iii) since the Company is neither a bank nor financial institution, and it does not possess any money lending license, our research has also been conducted based on such selection criteria.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that the business, operations and prospects of the Comparable Transactions may not be identical to those of the Company and we have not conducted any detailed investigation into the respective businesses and operations of the Comparable Transactions. Nevertheless, having considered the Comparable Transactions (i) are the most recent provision of loans published by companies listed on the Stock Exchange; (ii) were all granted on a no security or collaterals basis; (iii) does not possess any money lending license; and (iv) provide a comprehensive and reasonable reference as to the practice of companies listed in Hong Kong for conducting similar transactions under the Loan Agreement (as amended and supplemented by the Deed of Extension), we consider, to the best of our knowledge and ability, that the Comparable Transactions are exhaustive samples selected based on the selection criteria which are fair, relevant and indicative in assessing the fairness and reasonableness of the key terms of the Loan Agreement (as amended and supplemented by the Deed of Extension) (including the interest rate and the Default Interest rate of the Loan).

	Date of announcement	Company name	Stock code	Interest rate per annum (approximately)	Default interest rate per annum (approximately)	Term (approximately)	Guarantee (Y/N)	Connected transaction (Y/N)
1	5 May 2022	Million Cities Holdings Limited	2892	4.00%	N	36 months	Y	Y
2	22 April 2022	Metropolis Capital Holdings Limited	8621	12.00%	N	12 months	N	Y
3	20 April 2022	China Resources Pharmaceutical Limited	3320	(Note 1)	N	36 months	N	Y
4	11 April 2022	Joy City Property Limited	207	10.00%	10.00%	(Note 2)	N	N
5	6 April 2022	Asian Citrus Holdings Limited	73	6.00%	N	11 months	Y	Y
6	4 April 2022	Grandshores Technology Group Limited	1647	8.00%	18.00%	6 months	N	Y
7	31 March 2022	Zhejiang Yongan Rongtong Holdings Co., Ltd.	8211	3.7% (Note 3)	N	15 months	N	Y
8	24 March 2022	China Jinmao Holdings Group Limited	817	3.7% (Note 3)	N	12 months	N	Y
9	28 February 2022	Kunming Dianchi Water Treatment Co., Ltd.	3768	8.50%	N	1 months	N	N
10	8 February 2022	Kintor Pharmaceutical Limited	9939	4.27%	N	4.73 months	N	Y

Source: The Stock Exchange

**Overall Comparable Transactions:**

Max	12.00%	18.00%	36.00
Min	3.70%	10.00%	1.00
Average	7.02%	13.00%	16.28

**Connected Comparable Transactions:**

Max	12.00%	10.00%	36.00
Min	3.70%	10.00%	4.73
Average	5.95%	10.00%	16.59

<b>The Company</b>	<b>12.00%</b>	<b>15.00%</b>	<b>24.00</b>
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*Notes:*

- As disclosed in the announcement of China Resources Pharmaceutical Group Limited dated 20 April 2022, the loan carry floating interest rate based on the applicable rate offered by the People's Bank of China as at the pricing date. Except for the first pricing date which will be the first drawdown date, the subsequent pricing date(s) shall be the 21st day of the last month of each quarter of the terms of the loan agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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2. As disclosed in the announcement of Joy City Property Limited dated 11 April 2022, there were two loans which terms of 599 days (approximately 20 months) and 761 days (approximately 25 months).
3. As disclosed in the announcement of Zhejiang Yongan Rongtong Holdings Co., Ltd dated 31 March 2022 and the announcement of China Jinmao Holdings Group Limited dated 24 March 2022, both of the loans bear interest of loan prime rate issued by the National Interbank Funding Centre, as at the date of this letter, the interest rate quoted from the website is 3.7%.
4. Interest shall accrue based on the interest rate per annum apply on the outstanding amount of loan upon drawdown in accordance with the relevant loan agreement(s).
5. Default interest rate shall come into effect when the borrower fails to fulfill the repayment obligations as set forth in the relevant loan agreement(s).

### *(a) Term*

Based on the above table, we note that the term of the Comparable Transactions ranged from one month to 36 months, with an average term of approximately 16.28 months. The term of the Loan contemplated under the Deed of Extension is within the range of and higher than the average term of the Comparable Transactions.

We also undertook a further analysis in considering only the provision of loan to connected person(s) (the “**Connected Comparable Transactions**”) and note that the term of Connected Comparable Transactions ranged from approximately four months to 36 months, with an average term of approximately 16.59 months. The term of the Loan contemplated under the Deed of Extension is within the range of and higher than the average term of the Connected Comparable Transactions.

### *(b) Interest Rate*

Based on the above table, we note that the annual interest rate of the Comparable Transactions ranged from approximately 3.70% to 12.00%, with an average annual interest rate of approximately 7.02%. The interest rate of Loan Agreement (as amended and supplemented by the Deed of Extension) of 12.00% is within the range of the interest rate of the Comparable Transactions and is higher than the average interest rate of the Comparable Transactions.

We also that note the annual interest rate of the Connected Comparable Transactions ranged from approximately 3.70% to 12.00%, with an average annual interest rate of approximately 5.95%. The interest rate of the Loan Agreement (as amended and supplemented by the Deed of Extension) of 12.00% is at high end and within the range of Connected Comparable Transactions.

Based on the above, we are of the view that the interest rate of the Loan Agreement (as amended and supplemented by the Deed of Extension) is fair and reasonable so far as the Independent Shareholders are concerned.

***(c) Default Interest Rate***

Based on the above table, we note that only two out of 11 Comparable Transactions included default interest rate, ranged from approximately 10.00% to 18.00% and with an average default interest rate of approximately 13.00%. The Default Interest rate of Loan Agreement (as amended and supplemented by the Deed of Extension) of 15.00% is within the range of the default interest rate of the Comparable Transactions.

Based on the above, we are of the view that the Default Interest rate of the Loan Agreement (as amended and supplemented by the Deed of Extension) is fair and reasonable so far as the Independent Shareholders are concerned.

***(d) Guarantee***

Based on the above table, we note that only two out of 11 Comparable Transactions were guaranteed by guarantor to secure the repayment. We also noted that only two out of the eight Connected Comparable Transactions were granted with guarantee. It is thus considered that the unconditional and irrevocable guarantee provided by the Guarantor in favour of the Company to secure the payment for the payment of all sums outstanding under the Loan Agreement (as amended and supplemented by the Deed of Extension) and the performance of China VAST of all its obligations under the Loan Agreement (as amended and supplemented by the Deed of Extension) is a favourable term to the Company. In our view, the Guarantee provides protection to the Group as regards its credit risk associated with the Loan.

Based on the aforesaid, we are of the view that the terms of the Loan Agreement (as amended and supplemented by the Deed of Extension) are fair and reasonable so far as the Independent Shareholders are concerned.

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

***China VAST***

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

We noted from the 2021 Annual Report of China VAST that it is a sizable company with substantial financial resources. Based on the 2021 Annual Report of China VAST, it recorded net assets value and net current assets value of approximately RMB6.2 billion and RMB4.4 billion as at 31 December 2021, respectively. China VAST also had ample cash resources of which bank balances and cash of approximately RMB840.8 million as of the same said date which was more than sufficient to cover the entire Loan amount of RMB100,000,000 and the accrued



interest thereon. The Company has obtained and checked to the relevant fund proof of China VAST, namely its bank statements as at 30 April 2022, to validate its financial capability for the repayment of Loan and the interest thereon. We have obtained and reviewed the repayment and drawdown schedule of interest-bearing liabilities of China VAST and we are not aware of any material irregularities which cause us to doubt its credibility. We also noted from the 2021 Annual Report of China VAST and to the best knowledge of the management of the Group, China VAST did not have any historical defaults in the repayment of outstanding borrowings for the last three consecutive financial years.

***The Guarantor***

The Guarantor is an investment holding company and solely holds 43.79% of the shares of China VAST with no business operation. To the best knowledge of the management of the Group, there was no material event of default of liabilities by the Guarantor for the last five consecutive financial years. We have requested and reviewed the latest unaudited management accounts of the Guarantor as at 31 December 2021. Based on the said latest management accounts, the total assets and net assets of the Guarantor amounted to approximately HK\$2.3 billion and HK\$2.3 billion, respectively. We have also been provided with the bank statements of the Guarantor as of 31 March 2022 and noted that the cash and bank balances of approximately HK\$545.3 million, which could sufficiently cover the principal amount of the Loan (as extended) and the interest thereon in the event that China VAST defaults.

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

**7. Financial effects of the Extension of Loan**

The Deed of Extension are in effect an extension of the repayment term of the Loan Agreement from Original Repayment Date to Extended Repayment Date.

As at the Latest Practicable Date, the outstanding Loan amount was RMB100,000,000. There will be no further drawdown of Loan under the Deed of Extension and there will be no impact on the net asset value of the Group. Therefore, the entering into Deed of Extension is not expected to have any material impact on the Group's financial position. In terms of earnings, the Group will continue to earn an annual interest income of RMB12.0 million (RMB24.0 million in total during the term of the Deed of Extension), which represents approximately 66.2% of the Group's net profit for the year ended 31 December 2021.

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



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### **8. The Internal Control Measures**

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

The management of the Company will also monitor the financial conditions of the Guarantor and exercise its information right in accordance with the terms and conditions of the Loan Agreement (as amended and supplemented by the Deed of Extension) so as to safeguard the Company's interest.

In relation to the internal control measures mentioned above, we have obtained and reviewed the internal control policies provided by the Company and discussed with the management of the Group and noted that, amongst others, (i) the company secretary of the Group is designated to check and monitor the Loan and business, financial and liquidity status of China VAST and report to the management of the Company regularly; (ii) the Company has regularly requested for review documents from the Guarantor, namely management accounts and bank statements, and monitored the financial and liquidity position of the Guarantor to ensure that the Guarantor is sufficient to protect the Company's interest in the event that China VAST defaults; and (iii) the senior management of the Company has regularly reported the status of Loan to the independent non-executive Directors (other than Dr. Wong Wing Kuen, Albert) and the Company is not aware of any issue in respect of the Loan and/or Guarantor that would need to bring to the attention of the independent non-executive Directors. The Company will continuously apply internal control measures to monitor the financial position and operation of China VAST and the Guarantor. Furthermore, we also noted from the 2021 Annual Report of the Company that the Board has conducted a review of the effectiveness of the risk management and internal control systems and considered them effective and adequate.

Taking the above into account, we are of the view that there are appropriate measures in place to govern the conduct of the transaction and safeguard the interests of the Independent Shareholders.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**RECOMMENDATION**

Having considered the above principal factors and reasons, we are of the opinion that (i) the Extension of Loan are entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Extension of Loan are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions be proposed at the EGM to approve the Extension of Loan.

Yours faithfully,  
For and on behalf of  
**First Shanghai Capital Limited**  
**Kenneth Yam**  
*Director*  
*Corporate Finance*

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

## 1. FINANCIAL INFORMATION

Financial information of the Group for the years ended 31 December 2019, 2020, and 2021 is disclosed in the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021, respectively, which are available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<http://www.chinawty.com>).

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

Annual report for the year ended 31 December 2020 (pages 63 to 145):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0416/2021041600019.pdf>

Annual report for the year ended 31 December 2021 (pages 56 to 140):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700022.pdf>

## 2. INDEBTEDNESS

### Lease liabilities

The Group has unguaranteed lease liabilities (comprising both current and non-current liabilities) of approximately RMB1,030,000 as at 30 April 2022, which is secured by the Group's rental deposits of approximately RMB237,000.

Except for as disclosed above and apart from normal trade payables in the ordinary course of business, as of 30 April 2022, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, unutilized banking facilities, recognised lease obligations or hire purchase commitments or guarantees or material contingent liabilities.

## 3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Extension of Loan and the present financial resources available to the Group, including internally generated funds, the Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of publication of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

## 4. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2021 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

## 5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

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

Regarding the Group's objectives since its listing in 2017, the Group has been actively strengthening its market position in Langfang, and has been further optimizing the environment of the cemeteries and providing more cosy, diversified and humanized services, which enables the Group to satisfy different demands and preferences of our customers. Through the Extension of Loan, it is believed that such will, with no prejudice to the business development of the Group in mind, provide additional income to the Group, and which can be used for the upgrade and transformation and the plan for the further development of the cemeteries, with more professional and diversified extension services can be further added to our funeral services. The Group considers that the provision of the loan will not affect the working capital of daily operations of the Group.

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

As disclosed in the 2021 Annual Report of the Company, the revenue of the Group amounted to RMB39.4 million for the year ended 31 December 2021. Gross profit and net profit margin for the Group amounted to RMB36.4 million and RMB18.1 million respectively for the year ended 31 December 2021. Total assets and total equity amounted to RMB279.1million and RMB188.2 million respectively as at 31 December 2021.

The Company entered into the Deed of extension with China VAST on 16 May 2022, pursuant to which the Company has conditionally agreed to extend the Original Repayment Date of the Loan in the principal amount of RMB100,000,000 (or its equivalent in Hong Kong dollars) to China VAST for a period of 24 months to the Extended Repayment Date. In entering the Deed of Extension, the Company has considered a number of factors, taking into account the bank balances and cash of the Company and the position of working capital sufficiency for the next 24 months, the Group considers that the Extension of Loan will not affect the working capital or daily operations of the Group. The Group believes that the Extension of Loan would enable the Company to attain better utilization of the idle funds and generate reasonable return for its idle funds pending deployment of such funds for the Group's business development needs after the maturity of the Loan (as extended).

As the Group operates cemetery in Langfang, any significant downturn of the regional economy or changes in local regulatory regime or burial practices could materially and adversely affect our business, financial condition and results of operations but no material foreseeable impact has been identified in 2022 except the impact from the pandemic. However, the Group focused on optimizing and upgrading the “Cloud Tomb-sweeping (雲祭掃)” service, and launched various convenient measures which turned the impact from the COVID-19 pandemic into a development opportunity by reflecting on the situation and moving forward with determination and solidarity, thereby supporting everyone through such a challenging and extraordinary year.

In 2022, in the face of restrictions and impact of the severe epidemic, the Group has not identified any suitable strategic alliance partners and merger and acquisition opportunities for further development. There will be uncertainties associated with the expansion of the business. Successful implementation of expansion strategies may be affected by various factors such as our ability to identify suitable business opportunities or expansion plans on our cemetery, to obtain government and other third-party consents, permits and licenses that are required to operate our business.

In 2022, the Group will continue its commitment in strengthening its market position in Langfang by continuous cooperation with and supporting the local government's city development plan, providing funeral services and columbarium storage services. The Group will also continue to strive for continuous innovation and upgrade of the environment and operation of the cemeteries, actively provision of diversified and extended services and offerings, in order to establish a more stable position for the Company and create greater value for the Shareholders and stakeholders in return for their support.

**(A) RESPONSIBILITY STATEMENT**

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

**(B) DISCLOSURE OF INTERESTS****(a) Director’s and chief executive’s interests in the Shares and underlying shares of the Company**

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

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

*Notes:*

- The percentage was calculated on the basis of 1,000,000,000 Shares in issue as at the Latest Practicable Date.
- Ms. Zhao Ying is the chairman and a non-executive Director. She is the settlor, sole member of The Hope Trust’s protective committee and a beneficiary of The Hope Trust, which is a discretionary trust and TMF (Cayman) Ltd. is the trustee of The Hope Trust. TMF (Cayman) Ltd. wholly owned the entire share capital of Lily Charm Holding Limited. Lily Charm Holding Limited wholly owned 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.

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

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

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

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

*Notes:*

- The percentage was calculated on the basis of 1,000,000,000 Shares in issue as at the Latest Practicable Date.
- As at the Latest Practicable Date, Tai Shing International Investment Company Limited directly held 700,000,000 Shares.
- As at the Latest Practicable Date, Lily Charm Holding Limited held the entire issued share capital of Tai Shing International Investment Company Limited, thus Lily Charm Holding Limited was deemed to be interested in 700,000,000 Shares under Part XV of the SFO.



4. TMF (Cayman) Ltd. is on the trusts of The Hope Trust, s a discretionary trust set up by Ms. Zhao Ying, the chairman and non-executive Director of the Company. TMF (Cayman) Ltd. directly holds the entire issued share capital of Lily Charm Holding Limited. Therefore, TMF is deemed to be interested in 700,000,000 Shares pursuant to Part XV of the SFO.
5. As at the Latest Practicable Date, Fairich Trading Limited was directly wholly-owned by Ms. Xing Junying. Therefore, Ms. Xing Junying was deemed to be interested in 87,650,000 Shares pursuant to Part XV of the SFO.

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

### **(C) DIRECTORS' SERVICE CONTRACTS**

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

### **(D) COMPETING INTERESTS**

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

### **(E) DIRECTORS' INTERESTS IN ASSETS CONTRACTS OR ARRANGEMENTS**

As at the Latest Practicable Date:

- (a) save as the Loan Agreement (as amended and supplemented by the Deed of Extension), the Guarantee and the Deed of Extension, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting, which was significant in relation to the business of the Group; and
- (b) none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**(F) LITIGATION**

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

**(G) QUALIFICATIONS AND CONSENTS OF EXPERTS**

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

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

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or opinion dated 10 June 2022, as the case may be, and references to its name in the form and context in which they respectively appear.

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

As the Latest Practicable Date, the above expert did not have, directly or indirectly, any interest in any assets which had since 31 December 2021 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

**(H) MATERIAL CONTRACTS**

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

- (a) the joint venture agreement entered into between Langfang Wantong Public Cemetery Co., Limited\* (廊坊市萬桐公墓有限公司) (a subsidiary of the Company) and Langfang Xinhangcheng Real Estate Development Co., Limited\* (廊坊市新航城房地產開發有限公司) on 6 July 2020 in relation to the formation of a joint venture company for a cemetery joint venture project located in new airport

(Langfang area), relocation and settlement zone, Beijing\* (北京新機場(廊坊區域)回遷安置區公墓項目) involving an initial total commitment of the Group of RMB61.7 million;

- (b) the Deed of Guarantee;
- (c) the Loan Agreement;
- (d) the Deed of Extension; and
- (e) the confirmation entered into between the Company and the Guarantor on 16 May 2022 confirming the continued effectiveness of the Guarantee (the “Confirmation”).

### (I) CORPORATE AND OTHER INFORMATION

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

The principal place of business in Hong Kong of the Company is situated at Unit 3707A, 37th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The company secretary of the Company is Ms. Li Ming Wai, she is responsible for compliance and company secretarial duties of the Group. She holds a Master of Science in Professional Accounting and Corporate Governance from the City University of Hong Kong and is an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators). She has over 6 years of experience in listed company secretarial practice.

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

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

### (J) DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.chinawty.com](http://www.chinawty.com) for a period of 14 days from the date of this circular:

1. the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;

2. the consent letter from the Independent Financial Adviser referred to in the paragraph headed “Qualifications and Consents of Experts” in this appendix;
3. the Deed of Extension;
4. the Loan Agreement;
5. the Deed of Guarantee; and
6. the Confirmation.



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)**

**NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

Words and expressions that are not expressly defined in this notice shall bear the same meaning as those defined in the circular of China Wan Tong Yuan (Holdings) Limited (the “**Company**”) dated 10 June 2022 (the “**Circular**”), unless the context requires otherwise.

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the Company will be held at Unit 3707A, 37th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 30 June 2022 at 11:30 a.m., to consider and, if thought fit, to pass with or without amendments, the following resolution(s):

**ORDINARY RESOLUTIONS**

1. “**THAT:**

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

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## NOTICE OF EGM

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implement and give effect to the Deed of Extension and any other transactions contemplated under the Deed of Extension.”

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

Hong Kong, 10 June 2022

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized on its behalf.
3. Where there are joint registered holders of any Shares, any one of such persons may vote at the EGM (or any adjournment thereof), either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
5. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. **BAD WEATHER ARRANGEMENTS:** If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed and Shareholders will be informed of the date, time and venue of the postponed EGM by an announcement posted on the websites of the Company and the Stock Exchange. The EGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force and Shareholders will be informed of the date, time and venue of the postponed EGM by an announcement posted on the websites of the Company and the Stock Exchange. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.
7. The transfer books and register of members of the Company will be closed from Monday, 27 June 2022 to Thursday, 30 June 2022, both dates inclusive. During such period, no share transfers will be effected. In order to qualify for attending the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 24 June 2022.

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## NOTICE OF EGM

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