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ANXIAN YUAN CHINA HOLDINGS LIMITED

安賢園中國控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00922)

SUPPLEMENTAL ANNOUNCEMENT TO CHANGE IN USE OF PROCEEDS FROM RIGHTS ISSUE

References are made to Anxian Yuan China Holdings Limited's (the "**Company**") prospectus dated 8 July 2020 (the "**Prospectus**") and announcements dated 18 September 2020 and 26 November 2021 (the "**Announcements**") in relation to, among others, the use of proceeds of the Rights Issue. Unless otherwise stated, capitalized terms used herein have the same meanings as those defined in the Prospectus.

The Board would like to provide further information as follows:

After the lapse of the MOU, despite that the Company has already exhausted its effort and resources in the past year to identify alternative investment opportunities, there were only limited investment opportunities available to the Company for consideration in the PRC with details as follows:

- For one of the potential projects, the Group can only obtain the operation rights of the project, but it will be required to be responsible for the acquisition of the properties needed for such operations, bearing all the operation and management costs during the operation period and taking charge of all infrastructure and greenery construction, etc. Taking into account that the population structure of the city concerned, the required amount of capital contribution and the long payback period, it is concluded that there is not much room for increase in the operating efficiency of the project.
- One of the potential projects is a developed project in which around 10% of the tombs and niches are sold. However, there are ongoing legal proceedings between the original shareholders, which increases the uncertainty and the legal risks.

* *For identification purposes only*

- One of the potential projects is a brand new development project in the city concerned. If the Group were to reach a certain market size, it will take at least 5 years of investment and development to achieve revenue. As such, it is considered that this project has a long payback period and imposes higher requirements on the management team.

Having considered (i) the issues and risks associated with the above opportunities; (ii) only very limited investment opportunities were available to the Company amidst the prevailing market condition; and (iii) the uncertainty caused by the complicated and severe global economy, the Board considered that it is more appropriate for the Company to be prudent in its expansion plan and reserve the Unutilized Proceeds for other better use.

The Company has also been closely reviewing the business performance, cashflow, available cash resources and loan portfolios of the Group as well as the overall global economic and business conditions from time to time.

As at 30 September 2021, the Group had an aggregate of outstanding bank and other borrowings of approximately HK\$115.7 million bearing interest at rates ranging from 4.75% to 12.00% per annum, of which approximately HK\$42.0 million were short-term bank and other borrowings which will be due within one year; and approximately HK\$73.7 million were long-term bank and other borrowings, respectively. The effective interest rates of the Group's short-term deposits as at 30 September 2021 were 0.3% per annum, which were far below the interest rates charged on those bank and other borrowings. The re-allocation of the Unutilized Proceeds for repayment of said borrowings represents a substantial saving in the interest costs when compared to allowing those Unutilized Proceeds to remain in low interest bearing bank accounts/short-term deposits. The further repayment of bank and other borrowings will help reduce the finance costs and debt scale of the Group, and improve the Group's financial position.

In view of the factors as mentioned above, the Company found that it is more appropriate to be prudent in its expansion plan and reserve the Unutilized Proceeds for replenishing the working capital of its principal business by expending more on promotional activities to forge a premium brand with social responsibility, strength and warming of the funeral and burial industry in the PRC, instead of making further investments during the current uncertain economic environment, with which the Board believed that it will be favourable to the Group's long-term business development and in the best interests of the Company and its Shareholders.

By Order of the Board
ANXIAN YUAN CHINA HOLDINGS LIMITED
Shi Hua
Chairman and Executive Director

Hong Kong, 8 December 2021

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Shi Hua, Mr. Shi Jun and Mr. Law Fei Shing; one non-executive director, namely Mr. Wang Hongjie; and three independent non-executive directors, namely Mr. Chan Koon Yung, Mr. Lum Pak Sum and Ms. Hung Wan Fong, Joanne.