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**Application Proof of**  
**China Wan Tong Yuan (Holdings) Limited**  
**中國萬桐園(控股)有限公司**  
**(the “Company”)**

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

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**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)*

**[REDACTED]**

**Number of [REDACTED] : [REDACTED]**  
**Number of [REDACTED] : [REDACTED] (subject to [REDACTED])**  
**Number of [REDACTED] : [REDACTED] (subject to [REDACTED])**  
**[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on [REDACTED])**  
**Nominal value : US\$[REDACTED]**  
**Stock code : [REDACTED]**

**Sole Sponsor, [REDACTED]**



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The [REDACTED] is expected to be fixed by the [REDACTED] between our Company and the [REDACTED] (for itself and on behalf of the Underwriters) on the [REDACTED], which is expected to be on or about [REDACTED] and, in any event, not later than [REDACTED], [REDACTED]. The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED]. If our Company and the [REDACTED] (for itself and on behalf of the Underwriters) are unable to reach an agreement on the [REDACTED] by that date or such later date as may be agreed by our Company and the [REDACTED] (for itself and on behalf of the Underwriters), the [REDACTED] will not become unconditional and will not proceed. The [REDACTED] (for itself and on behalf of the Underwriters) may, with our consent, reduce the indicative [REDACTED] below that stated in this document at any time prior to the [REDACTED]. In such a case, notices of reduction of the indicative [REDACTED] will be published on our website at [www.lfwt.com](http://www.lfwt.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this document, and in particular, the risk factors set out in the section headed “Risk Factors” in this document.

Prospective investors of the [REDACTED] should note that the Sole Sponsor and/or the [REDACTED] (also in its capacity as the Underwriter) shall have the absolute right to terminate the Underwriting Agreement by notice in writing to our Company with immediate effect if any of the events set forth in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination” in this document occurs at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED] Date (which is currently expected to be [REDACTED]).

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or the securities laws of any state in the United States, and may not be [REDACTED], sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The [REDACTED] are being [REDACTED] and sold only outside of the United States in offshore transactions in reliance on Regulation S of the U.S. Securities Act.

No information on any website forms part of this document.

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*GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

*Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.*

*The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM listed issuers.*

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**EXPECTED TIMETABLE**

[REDACTED]

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**EXPECTED TIMETABLE**

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<b>EXPECTED TIMETABLE</b>
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**[REDACTED]**

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**EXPECTED TIMETABLE**

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*The contents of our Company’s website at [www.lfwt.com](http://www.lfwt.com) do not form part of this document.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document, including our financial statements and the accompanying notes, before you decide to invest in the [REDACTED].*

*There are risks associated with any investment. Some of the particular risks of investing in the [REDACTED] are set forth in the section headed “Risk Factors.” You should read that section carefully before you decide to invest in the [REDACTED].*

## OVERVIEW

We are a premium burial services provider in Langfang, Hebei province, China, with approximately 9.3% of the local burial services market in terms of revenue in 2016, according to the F&S Report. We seek to distinguish our burial services through comprehensive offerings of burial plot designs and pricing choices, which we believe enables us to meet diversified customer requirements in terms of preferences and budgets. We believe that the combination of our comprehensive offerings of burial services and our beautifully landscaped cemetery has allowed us to serve a diversified customer base and command a price premium for certain burial services we offer.

We operate our cemetery in Langfang under the brand “萬桐園 (Wan Tong Yuan),” derived from “萬古長青，鳳棲梧桐 (garden with phoenixes perching on everlasting plane trees),” which symbolizes a treasured land that preserves the spirits of the departed. Our cemetery resembles a park beautifully designed with flowerbeds, lawns, ponds, groves and modern architectures to provide comfort and tranquility for our visitors. The developed area of our cemetery consists of 20 sectioned burial areas designated for traditional and artistic burial plots of different orientation and prices, interconnected by electrical cars for the convenience of our visitors. Our cemetery has a total site area of approximately 166,569 sq.m., approximately 133,825 sq.m. of which remained available for future sale and development as of December 31, 2016. We extend and increase the number of burial plots in our cemetery in phases based on customer demand. At the same time, we strive to ensure that our cemetery continues to be in harmony with natural surroundings and remains a lush and well-planned park.

We attract customers locally and from surrounding areas and neighboring cities through word-of-mouth referrals and marketing efforts. We cooperate with a network of funeral service providers in Langfang which refer customers to us. We have also been seeking cooperation with Beijing-based funeral service providers, mortuaries and funeral parlors to expand our customer base. As our cemetery is strategically located in Langfang, approximately 40 kilometers and 60 kilometers from downtown Beijing and Tianjin, respectively, we believe we offer a sought-after burial site for local residents as well as customers from neighboring cities. Supported by the increasing level of urbanization and China’s recent initiative to build an economic mega-region covering Beijing (Jing), Tianjin (Jin) and Hebei province (Ji) with integrated infrastructure of transportation and industries, we benefit from the faster movement of people and the closer ties with regional hubs.

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## SUMMARY

According to the F&S Report, there is a growing demand among residents in Beijing and Tianjin for affordable burial sites, which have become increasingly sparse locally, and our cemetery represents an attractive solution to address such unmet need cost-effectively.

We believe our brand “Wan Tong Yuan” is recognized as a premium burial services provider by the local residents because it exemplifies our professionalism and commitment to social responsibility. We provide on-the-job training to our employees, with a focus on cultivating virtuous moral characters suited to attending customers under emotional stress with professionalism and delicacy. We are also committed to serving our community. We have a burial area designated for war veterans and other distinguished public figures, including General SUN Yi (孫毅將軍), and receive organized visits from school groups and government employees to honor the war veterans for educational purposes. We received the award of Outstanding Cemetery Unit (優秀公墓單位) from the Bureau of Civil Affairs of Langfang (廊坊市民政局) in July 2014 and obtained the title of the Secretary-General Unit (秘書長單位) of the Youth Working Committee of the China Funeral Association (中國殯葬協會青年工作委員會) in February 2017.

We have grown substantially since our inception in 2007. Our revenue for 2015 and 2016 was RMB24.4 million and RMB31.2 million, respectively, representing a year-on-year growth rate of 27.7%. Our net profit for 2015 and 2016 was RMB14.3 million and RMB16.2 million, respectively, representing a net profit margin of 58.7% and 51.9%, respectively, for the same years.

## OUR SERVICES

We provide a range of burial services, including traditional and artistic burial services. Our traditional burial services involve the use of burial plots with uniform or limited designs and landscaping and standardized pre-fabricated headstones within the same sectioned burial area. Our artistic burial services involve the use of uniquely designed headstones and also allow for varying degrees of customization in terms of material and design of headstone, layout of burial plot, and decorative items, among others. We engage our suppliers to design, construct and landscape the burial plots and engrave inscriptions and ceramic photographs on the headstones to meet specific customer requirements. We also provide a range of interment rituals and allow our customers to personalize the rituals by selecting value-added services, such as cremains transportation (抬靈) and gun salutes (禮炮).

We also provide ongoing cemetery maintenance services as an integral part of our burial services to maintain our beautifully landscaped cemetery. We regularly tidy and patrol our cemetery grounds to ensure they are clean and safe for our visitors. We also regularly maintain our facilities to ensure they are fully functional.

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<b>SUMMARY</b>
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The following table illustrates a breakdown of our revenue during the Track Record Period:

	<b>Year ended December 31,</b>			
	<b>2015</b>		<b>2016</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Burial services				
— Sale of burial plots	20,454	83.8%	25,994	83.4%
— Ancillary services	<u>1,425</u>	<u>5.8%</u>	<u>2,537</u>	<u>8.1%</u>
Subtotal	21,879	89.6%	28,531	91.5%
Cemetery maintenance	<u>2,530</u>	<u>10.4%</u>	<u>2,648</u>	<u>8.5%</u>
Total	<u><u>24,409</u></u>	<u><u>100.0%</u></u>	<u><u>31,179</u></u>	<u><u>100.0%</u></u>

For details, see “Business — Our Services” beginning on page 97 of this document.

### **OUR CEMETERY**

We operate one cemetery in Langfang, Hebei province, China. We have the right to use two parcels of land with an aggregate site area of approximately 176,076 sq.m. We have obtained the land use right certificates for these parcels of land, which evidence the legal right to use the land as permitted by the certificates.

The following table sets forth certain details regarding our cemetery as of December 31, 2016:

Developed area	40,015 sq.m.
Occupied area <sup>(1)</sup>	32,744 sq.m.
Available area <sup>(2)</sup>	7,271 sq.m.
Undeveloped area	126,554 sq.m.
Total site area <sup>(3)</sup>	166,569 sq.m.

(1) The occupied area of the cemetery represents the total area of the burial plots for which the rights to use them have already been sold.

(2) The available area of the cemetery represents the total area of the burial plots for which the rights to use them have not yet been sold. The rights to use the burial plots are sold as part of our burial services.

(3) The area information about our cemetery does not include the columbaria and infrastructure. The gross floor area of the columbaria is approximately 4,052 sq.m. We did not sell any cremation niches, which are placed in the columbaria, during the Track Record Period. We do not currently plan to expand our service capacity for cremation niches.

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## SUMMARY

As of December 31, 2016, we had an available area in our cemetery of approximately 7,271 sq.m., which we estimate is able to host at least approximately 2,400 burial plots, and an undeveloped area in our cemetery of approximately 126,554 sq.m., which we estimate is able to host an additional at least approximately 42,000 burial plots. Based on our expected annual sale of burial plots, we estimate that our cemetery is able to sustain stable operations of approximately 50 years in the future.

For details, see “Business — Our Cemetery” beginning on page 105 of the document.

### OUR INDUSTRY

We provide burial services to customers. The burial services market is the largest and fastest-growing segment of the overall death care services market, according to the F&S Report. The growth of the burial services market is driven primarily by (1) growing aging population and number of deaths, (2) growing per capita spending from the ongoing urbanization, and (3) favorable government policy promoting cremation, according to the F&S Report.

For details, see “Industry Overview” beginning on page 51 of this document.

The burial services market in Langfang is concentrated. According to the F&S Report, we are the third largest burial services provider in Langfang with a market share of approximately 9.3% in terms of revenue in 2016, with the top five burial services providers commanding approximately 94.8% of the local market. We believe our reputation, quality of services, and well-maintained and conveniently located facilities allows us to compete effectively in Langfang.

For details, see “Business — Competition” beginning on page 112 of this document.

### COMPETITIVE STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors: (1) we are a premium burial services provider strategically located in Langfang, (2) we offer comprehensive burial services to satisfy diversified customer needs, (3) our brand is recognized and associated with professionalism and commitment to social responsibility, and (4) we have a committed, experienced and stable management team.

For details, see “Business — Competitive Strategies” beginning on page 91 of this document.

### BUSINESS STRATEGIES

We aspire to strengthen our market position in Langfang and expand our business in the Jing-Jin-Ji megalopolis and beyond through the following strategies: (1) strengthen our market position in Langfang, (2) expand our business scope to provide vertically-integrated death care services, (3) tap further into the burial services market in the Jing-Jin-Ji megalopolis, and (4) pursue strategic alliance and acquisition opportunities.

For details, see “Business — Business Strategies” beginning on page 94 of this document.

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## SUMMARY

### **CUSTOMERS**

Our customers include primarily individuals from Langfang that purchase burial plots for family members that have passed away. As the integration of the Jing-Jin-Ji megalopolis deepens, we increasingly serve customers from the surrounding areas and neighboring cities. During the Track Record Period, we served 88 customers from outside Langfang, accounting for approximately 6.4% of our total customers. During the Track Record Period, our single largest customer accounted for less than 1.0% of our total revenue. For the same periods, our top five largest customers accounted for approximately 3.0% of our total revenue. None of our Directors, their close associates or any Shareholders (which to the knowledge of our Directors owns more than 5.0% of our Shares) has any interest in any of our five largest customers during the Track Record Period.

For details, see “Business — Sales, Marketing and Customers” beginning on page 108 of this document.

### **SUPPLIERS AND SERVICE PROVIDERS**

We procure from suppliers and third-party service providers headstones, ceramic photographs, road construction within our cemetery and interior decoration. During the Track Record Period, we did not experience any material shortage or delay in the supply of services or products. Purchases from our single largest supplier, accounted for approximately 78.3% and 89.0% of our total purchases, respectively, for 2015 and 2016.

For details, see “Business — Suppliers and Service Providers” beginning on page 109 of this document.

### **FINANCIAL TRACK RECORD**

The summary historical combined financial statements set forth below should be read in conjunction with our combined financial statements included in the “Accountants’ Report” in Appendix I to this document, together with the accompanying notes, which have been prepared in accordance with IFRS. The summary historical financial statements as of and for the years ended December 31, 2015 and 2016 are derived from our combined financial statements, including the notes thereto, set forth in the “Accountants’ Report” in Appendix I to this document.

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<b>SUMMARY</b>
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**Summary combined statements of profit or loss and other comprehensive income**

	Year ended December 31,			
	2015		2016	
	<i>RMB'000</i>	% of total revenue %	<i>RMB'000</i>	% of total revenue %
Revenue	24,409	100.0%	31,179	100.0%
Cost of sale and services	<u>(4,906)</u>	<u>(20.1%)</u>	<u>(5,545)</u>	<u>(17.8%)</u>
Gross profit	19,503	79.9%	25,634	82.2%
Profit before taxation	17,909	73.4%	20,716	66.4%
Income tax expense	<u>(3,578)</u>	<u>(14.7%)</u>	<u>(4,523)</u>	<u>(14.5%)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	<u>14,331</u>	<u>58.7%</u>	<u>16,193</u>	<u>51.9%</u>

Our revenue increased by 27.7% from RMB24.4 million in 2015 to RMB31.2 million in 2016, primarily driven by an increase in revenue from burial services. Our revenue from burial services increased by 30.4% from RMB21.9 million in 2015 to RMB28.5 million in 2016, primarily due to (1) a 16.2% increase in the total number of burial plots sold and recognized as revenue from 680 in 2015 to 790 in 2016, and (2) a 9.4% increase in the average selling price of burial plots sold and recognized as revenue from approximately RMB30,079 in 2015 to approximately RMB32,904 in 2016.

Our cost of sales and services increased by 13.0% from RMB4.9 million in 2015 to RMB5.5 million in 2016, primarily due to an increase in the cost of sales and services for burial services. Our cost of sales and services for burial services increased by 10.2% from RMB4.7 million in 2015 to RMB5.1 million in 2016, primarily due to an increase in the headstone cost from RMB3.9 million in 2015 to RMB4.5 million, generally consistent with an increase in the number of burial plots sold and recognized as revenue. Our cost of sales and services for cemetery maintenance increased from RMB0.3 million in 2015 to RMB0.4 million in 2016, primarily due to an increase in labor and consumables costs associated with ongoing landscaping and maintenance efforts.



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<b>SUMMARY</b>
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**Summary combined statements of financial positions**

	<b>As of December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	<u>67,565</u>	<u>67,469</u>
Current assets	121,626	68,339
Current liabilities	<u>(115,733)</u>	<u>(41,290)</u>
Net current assets	<u>5,893</u>	<u>27,049</u>
Total assets less current liabilities	73,458	94,518
Non-current liabilities	<u>(34,503)</u>	<u>(39,370)</u>
Net assets	<u><u>38,955</u></u>	<u><u>55,148</u></u>
Total equity	<u><u>38,955</u></u>	<u><u>55,148</u></u>

**Summary combined statements of cash flow**

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	18,294	21,193
Net cash generated from investing activities	18,334	106,298
Net cash used in financing activities	<u>(28,921)</u>	<u>(81,756)</u>
Net increase in cash and cash equivalents	7,707	45,735
Cash and cash equivalents at beginning of the year	<u>3,649</u>	<u>11,356</u>
Cash and cash equivalents at end of the year	<u><u>11,356</u></u>	<u><u>57,091</u></u>



## SUMMARY

### Selected financial ratios

	Year ended December 31,	
	2015	2016
Gross profit margin <sup>(1)</sup>	79.9%	82.2%
Net profit margin <sup>(2)</sup>	58.7%	51.9%
Return on equity <sup>(3)</sup>	36.8%	29.4%
Return on total assets <sup>(4)</sup>	7.6%	11.9%
Current ratio <sup>(5)</sup>	1.1	1.7
Gearing ratio <sup>(6)</sup>	197.7%	—
Interest coverage ratio <sup>(7)</sup>	42.7	5.4

(1) Gross profit margin is gross profit divided by revenue for each financial period and multiplied by 100.0%.

(2) Net profit margin is profit and total comprehensive income divided by revenue for each financial period and multiplied by 100.0%.

(3) Return on equity is profit and total comprehensive income divided by shareholders' equity for each financial period multiplied by 100.0%.

(4) Return on total assets is profit and total comprehensive income divided by total assets for each financial period and multiplied by 100.0%.

(5) Current ratio is current assets divided by current liabilities at the end of each financial period.

(6) Gearing ratio is total borrowings divided by total equity at the end of each financial period multiplied by 100.0%.

(7) Interest coverage is profit before taxation and finance costs divided by finance costs for each financial period.

For further discussion of these ratios, see “Financial Information — Key Financial Ratios” beginning on page 164 of this document.

### USE OF PROCEEDS

We are a premium burial services provider in Langfang, Hebei province, China and seek to strengthen our market position in Langfang and expand our business in the Jing-Jin-Ji megalopolis and beyond. Our Directors believe that it is necessary and appropriate for the GEM [REDACTED] to fulfill our business plan and future growth, and that the [REDACTED] will facilitate the implementation of our business strategies.

Assuming the [REDACTED] is not exercised and assuming the [REDACTED] is fixed at HK\$[REDACTED] per Share (being the mid-point of the indicative range of the [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per Share), we estimate that the net proceeds of the [REDACTED], after deducting the estimated underwriting fees and expenses payable by us in connection with the [REDACTED], will be approximately [REDACTED].

## SUMMARY

We intend to use the net proceeds from the [REDACTED] for the purposes and in the amounts set out below:

- approximately [REDACTED] of the net proceeds, or HK\$[REDACTED], to be used to strengthen our market position in Langfang;
- approximately [REDACTED] of the net proceeds, or HK\$[REDACTED], to be used to expand our business scope to provide vertically-integrated death care services; and
- approximately [REDACTED] of the net proceeds, or HK\$[REDACTED], to be used to tap further into the burial market in the Jing-Jin-Ji megalopolis and pursue strategic alliance and acquisition opportunities.

In the event that the [REDACTED] is exercised in full, we will receive net proceeds of HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, the midpoint of our indicative [REDACTED]).

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including our internal resource, cash generated from our operations, debt financing and equity financing.

For details, see “Future Plans and Use of Proceeds” beginning on page 170 of this document.

### [REDACTED] EXPENSES

The total amount of [REDACTED] expenses, including the estimated underwriting fees, that will be borne by us in connection with the [REDACTED] is estimated to be approximately [REDACTED] (based on the mid-point of our indicative [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised). During the Track Record Period, we incurred RMB1.9 million in [REDACTED] expenses, of which RMB1.4 million was charged to our combined statements of profit or loss and other comprehensive income and the remaining balance of RMB0.5 million was recorded as prepayments. We expect to incur further [REDACTED] expenses of approximately RMB18.4 million (including the [REDACTED] of approximately RMB2.1 million) upon the completion of the [REDACTED], out of which approximately RMB12.2 million will be charged to our combined or consolidated statements of profit or loss and other comprehensive income in 2017, and approximately RMB6.7 million, including RMB0.5 million already incurred and recorded as prepayments as at December 31, 2016, is expected to be deducted from our share premium.

### DIVIDEND

We did not pay dividends to our shareholders during the Track Record Period.

We are a holding company incorporated in the Cayman Islands. The payment and amount of our future dividends will depend on the availability of dividends received from our subsidiaries. Distributions from us and our subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or they may enter into in the future.

## SUMMARY

We currently do not have any pre-determined dividend payout ratio. The amount of dividends actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividends.

### NON-COMPLIANCE

During the Track Record Period, we did not make adequate social insurances for all of our employees, nor did we register with the relevant housing reserve fund authorities or make adequate housing reserve fund contributions for all of our employees in a timely manner.

In addition, we did not timely complete the relevant environmental protection, planning and construction approval procedures, and therefore, failed to obtain the building ownership certificates for six buildings.

For details, see “Business — Non-compliance” beginning on page 115 of this document.

### RECENT DEVELOPMENTS

Based on our unaudited management accounts for the two months ended February 28, 2017, we estimate that our revenue for the two months ended February 28, 2017 increased when compared with the corresponding period in 2016. After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that since December 31, 2016 and up to the date of this document, there was no material adverse change in our financial, operational or trading position or in the general regulatory, economic and market conditions in China or the industry in which we operate, and there is no event since December 31, 2016 that would materially affect the audited financial information as set out in the “Accountants’ Report” in Appendix I to this document.

### CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED], Tai Shing International (indirectly wholly-owned by the Family Trust, of which the beneficiaries are Ms. Zhao and her issue) will be interested in approximately [REDACTED]% of the issued share capital of our Company. As Ms. Zhao, the Family Trust, Lily Charm and Tai Shing International will continue to control more than 30% of the issued share capital of our Company, Ms. Zhao, the Family Trust, Lily Charm and Tai Shing International will be our Controlling Shareholders.

For details, see “Relationship with Controlling Shareholders” beginning on page 120 of this document.

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<b>SUMMARY</b>
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**STATISTICS OF [REDACTED]**

	<b>Based on the minimum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]</b>	<b>Based on the maximum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]</b>
Market capitalization of the Shares <sup>(1)</sup>	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share <sup>(2)</sup>	HK\$[REDACTED]	HK\$[REDACTED]

(1) The calculation of the market capitalization of the Shares is based on [REDACTED] Shares in issue immediately after completion of the [REDACTED].

(2) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share is calculated based on [REDACTED] Shares in issue immediately following completion of the [REDACTED].

**RISKS AND CHALLENGES**

We face a number of risks and challenges in our business and industry. These risks can be broadly categorized into (1) risks relating to our business and industry; (2) risks relating to doing business in China; and (3) risks relating to the Shares and the [REDACTED]. We operate one cemetery in Langfang and any significant downturn of the regional economy or changes in local regulatory regime or burial practices could materially and adversely affect our business. We serve customers primarily from Langfang, and our ability to serve perspective customers may be impaired if we are unable to anticipate a shift in local customs or culture and promptly adapt to such changes in providing our services. As we expand locally and in the Jing-Jin-Ji megalopolis at large, we may face a number of uncertainties, such as our ability to identify suitable business opportunities, to obtain government licenses, to acquire additional suitable land at reasonable price, and to procure sufficient funding for related capital expenditure, among others. We operate in a highly regulated industry. The PRC government regulates various aspects of the burial services we provide. If the PRC government changes or tightens the relevant laws and regulations, or if we fail to comply with the regulatory requirements, our business may be materially and adversely affected. Since different investors may apply different interpretations and criteria when determining the materiality of a risk, see “Risk Factors” beginning on page 23 of this document in its entirety before you decide to invest in the [REDACTED].

## DEFINITIONS

*Unless the context otherwise requires, the following expressions have the following meanings in this document.*

“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“[REDACTED]”	the [REDACTED], [REDACTED] and [REDACTED] or, where the context so requires, any of them, relating to the [REDACTED]
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on [ • ] 2017 and effective upon [REDACTED], and as amended from time to time, a summary of which is contained in Appendix IV to this document
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	our board of Directors
“burial plot”	a piece of land within a cemetery where cremains are buried
“Business Day(s)”	a day (other than a Saturday, a Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“[REDACTED]”	[REDACTED]
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

## DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, which for the purpose of this document and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“columbarium”	a place for the storage of urns holding a deceased’s cremation remains
“Companies Law”	the Companies Law (as consolidated and revised) of the Cayman Islands as amended, supplemented and/or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” “Group,” “our Group,” “we” or “us”	China Wan Tong Yuan (Holdings) Limited (中國萬桐園(控股)有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on January 25, 2017 and except where the context indicates otherwise (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the business operated by our present subsidiaries or (as the case may be) their predecessors
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and unless the context requires otherwise, refers to Ms. Zhao, the Family Trust, Lily Charm and Tai Shing International
“Deed of Indemnity”	the deed of indemnity dated [ • ] and executed by [the Controlling Shareholders] in favor of our Company (for itself and as trustee for each of its present subsidiaries)

<b>DEFINITIONS</b>
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“Deed of Non-competition”	the deed of non-competition dated [ • ], 2017 and executed by the Controlling Shareholders in favor of our Company with particulars set out in the section headed “Relationship with Controlling Shareholders” in this document
“Director(s)” or “our Director(s)”	the director(s) of the Company or any one of them
“F&S Report”	an industry report we commissioned from Frost & Sullivan in respect of the death care services market Hebei province and Langfang
“Family Trust”	an irrevocable discretionary trust settled by Ms. Zhao as the settlor pursuant to a trust deed dated [ • ], 2017 in respect to the shares in Tai Shing International
“Foreign Exchange Regulations”	Foreign Exchange Administrative Regulations of the PRC (中華人民共和國外匯管理條例)
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research and consulting company
“funeral parlor”	a venue operated by PRC government entities, where funeral rituals and ceremonies are performed and where the deceased are prepared for burial or cremation
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“headstone”	a marker placed over the burial plot, which bears the deceased’s name, date of birth, date of death and other messages
“HK\$” or “Hong Kong dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	[REDACTED]



## DEFINITIONS

“IFRS”	International Financial Reporting Standards
“independent third party(ies)”	a party which is not connected (as defined in the GEM Listing Rules) to our Company or our connected persons
“interment”	burial
“Jing-Jin-Ji megalopolis”	the national capital region of China and the biggest urbanized region in northern China which includes an economic region surrounding Beijing (Jing), Tianjin (Jin) and Hebei province (Ji)
“Langfang Wantong”	Langfang Wantong Cemetery Co., Ltd. (廊坊市萬桐公墓有限公司), a limited liability company established in the PRC on November 26, 2007 and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	March 23, 2017, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
“Lily Charm”	Lily Charm Holding Limited, a limited liability company incorporated in the BVI, which is one of our Controlling Shareholders and wholly owned by TMF (Cayman) Ltd. as the trustee of the Family Trust
“[REDACTED]”	[REDACTED]
“Listing Division”	the listing department of the Stock Exchange
“[REDACTED]”	[REDACTED]
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on [•], 2017 and as amended from time to time, a summary of which is set out in Appendix IV to this document
“Miss Wang”	Miss Wang Wei (王微), daughter of Mr. Wang and Ms. Zhao
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Wang”	Mr. Wang Jianjun (王建軍), husband of Ms. Zhao
“Ms. Zhao”	Ms. Zhao Ying (趙穎), a Controlling Shareholder and our non-executive Director
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)



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<b>DEFINITIONS</b>
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“Nomination Committee”	the nomination committee of the Board
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“[REDACTED]”	[REDACTED]
“[REDACTED] Shares”	the [REDACTED] Shares being [REDACTED] for subscription by our Company at the [REDACTED] under the [REDACTED]
“[REDACTED] Underwriters”	the underwriters of the [REDACTED] as set out in the section headed “Underwriting — [REDACTED] Underwriters” in this document
“[REDACTED] Underwriting Agreement”	the [REDACTED] underwriting agreement relating to the [REDACTED] to be entered into on or about [•], 2017 by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED] Underwriters
“[REDACTED]”	[REDACTED]

## DEFINITIONS

“[REDACTED]”	[REDACTED]
“[REDACTED]”	the [REDACTED] of the [REDACTED] by our Company for subscription to members of the public in Hong Kong at the [REDACTED], on and subject to the terms and conditions set out in this document and [REDACTED], as further described in the section headed “Structure and Conditions of the [REDACTED] — The [REDACTED]” in this document
“[REDACTED]”	the [REDACTED] new Shares being [REDACTED] by our Company at the [REDACTED] pursuant to the [REDACTED], subject to adjustment as described in the section headed “Structure and Conditions of the [REDACTED]” in this document
“[REDACTED] Underwriters”	the underwriters of the [REDACTED] as set out in the section headed “Underwriting — [REDACTED] Underwriters” in this document
“[REDACTED] Underwriting Agreement”	the underwriting agreement dated [•] 2017 relating to the [REDACTED] and entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED] Underwriters
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“related part(y/ies)”	has the meaning as set out in the paragraph headed “Related parties” under note 32 to the “Accountants’ Report” in Appendix I to this document
“Reorganization”	the corporate reorganization of our Group for the restructuring of our business and in preparation for the [REDACTED], particulars of which are set out in the section headed “History, Development and Reorganization — Our Group’s Reorganization” in this document
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國外匯管理局)

<b>DEFINITIONS</b>
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“SAT”	State Administration of Taxation (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shing Sheng International”	Shing Sheng International Limited, a limited liability company incorporated in the BVI on January 27, 2017, a direct wholly-owned subsidiary of our Company
“[REDACTED]”	[REDACTED]
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the GEM Listing Rules
“Tai Shing International”	Tai Shing International Investment Company Limited, a limited liability company incorporated in the BVI on February 1, 2017, one of our Controlling Shareholders
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period consisting of the two financial years ended December 31, 2016
“Underwriters”	the [REDACTED] Underwriters and the [REDACTED] Underwriters
“Underwriting Agreement”	the [REDACTED] Underwriting Agreement and the [REDACTED] Underwriting Agreement

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## DEFINITIONS

“United States” or “US”	the United States of America
“urn”	a vessel for ashes or cremains of a deceased person
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“Wan Tong (HK)”	Wan Tong (HK) Company Limited, a limited liability company incorporated in Hong Kong on January 18, 2017, and an indirect wholly-owned subsidiary of our Company
“Wan Tong Yuan”	the cemetery operated by Langfang Wantong
“Wantong Funeral Services”	Langfang City Wantong Funeral Services Co., Ltd. (廊坊市萬桐園殯葬服務有限公司), a limited liability company established in Langfang on March 23, 2017, and an indirect wholly-owned subsidiary of our Company
“Wantongyuan Management”	Langfang Wantongyuan Corporate Management Co., Ltd. (廊坊萬桐園企業管理有限公司), a wholly foreign owned enterprise established in Langfang on March 2, 2017, and an indirect wholly-owned subsidiary of our Company
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“%”	per cent

*Unless otherwise specified, statements contained in this document assume no exercise of the [REDACTED].*

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## DEFINITIONS

*Unless otherwise stated, the conversion of HK\$ into RMB in this document is based on the appropriate rate of HK\$1.00 to RMB0.8865.*

*All times refer to Hong Kong time.*

*If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this document and their English translation, the Chinese version shall prevail. Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only.*

*Unless otherwise specified, references to years in this document are to calendar years.*

*In this document, the terms “associate,” “close associate,” “core connected person,” “connected person,” “connected transaction,” “controlling shareholder,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*

## **FORWARD-LOOKING STATEMENTS**

*We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.*

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. Forward-looking statements can be identified by words such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue,” “seek,” “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- future developments, trends and conditions in the markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;

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## **FORWARD-LOOKING STATEMENTS**

- the actions and developments of our competitors;
- certain statements in “Financial Information” with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this document that are not historical facts.

Any forward-looking statement made by us in this document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

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## **RISK FACTORS**

*Investing in the [REDACTED] involves a high degree of risk. You should carefully consider all of the information set out in this document, including the risks and uncertainties described below in respect of, inter alia, our business and industry, when considering making an investment in the [REDACTED]. Our business, prospects, financial condition or results of operations could be materially and adversely affected by any of these risks. As a result, the trading price of the [REDACTED] could decline and you could lose all or part of your investment.*

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (1) risks relating to our business and industry; (2) risks relating to doing business in China; and (3) risks relating to the Shares and the [REDACTED]. Prospective investors in the Shares should consider carefully all the information set forth in this document and, in particular, this section in connection with an investment in us.

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**We operate one cemetery in Langfang and 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.**

We operate one cemetery in Langfang, Hebei province, China, which attracts customers from primarily Langfang and, to a lesser extent, the neighboring cities including Beijing and Tianjin. Historically, we have benefited from the rapid economic development of Langfang and the integration of the Jing-Jin-Ji megalopolis. The concentration of our business in Langfang and the Jing-Jin-Ji megalopolis, however, exposes us to geographical concentration risks relating to this region. A significant economic downturn or a growth rate lower than expectation in this region or changes in local regulatory regime or burial practices may have a significant negative impact on the disposable income of local residents and on their demand for our services.

For example, if the disposable income of local residents decreases, they may choose burial services from other cemetery operators in Langfang or the neighboring cities that charge less service fees. In addition, if the government strengthens regulations over the local burial practices, for example, imposing stricter restrictions on the size and design of burial plots, our ability to continue to provide customized burial services for which we charge a premium price may be impaired. Furthermore, if the local burial practice evolves over time and prospective customers choose alternative burial methods that do not require our services, the demand for our services may be adversely affected. If the demand for our burial services is reduced significantly in Langfang and we are unable to develop and divert our business to new areas, our business, financial condition and results of operations will be materially and adversely affected.



## **RISK FACTORS**

**We may fail to identify, foresee or adapt our burial service offerings to evolving local, cultural or customary demands in a timely manner.**

We regularly review and adapt our services to cater to the customs and preferences of the local residents in order to retain existing customers and to attract prospective customers. Local or family customs or culture may, with time, shift towards the use of particular burial practices, and our ability to serve prospective customers may be impaired if we are unable to anticipate a shift and promptly adapt to such changes in providing our services.

If we are unable to foresee changes in local, cultural or customary preferences or tailor our burial service offerings in a manner required by local cultural demands or customs, we may be unable to retain existing customers or attract prospective customers, which could materially and adversely affect our business, financial condition and results of operations.

**Our business operations are subject to strict and evolving regulatory controls.**

The PRC burial services industry is a highly regulated industry and may become more so in the future. Various aspects of the burial services business in China, such as the maximum size of burial plots and certain matters relating to the presale of burial plots to living customers, are currently subject to government regulations. As such, we must ensure continuous compliance with numerous applicable laws and regulations in China to avoid fines and other sanctions. In addition, we must obtain the requisite license for cemetery operation. Any change to or tightening of the relevant laws and regulations or any inability by us to renew the requisite license or obtain additional new licenses or permits in the future may materially and adversely affect our business, financial condition, results of operations and prospects.

If we breach any laws and regulations, our business may be subject to regulatory actions by the relevant PRC government authorities depending on the nature, extent and severity of the breach. For example, if we fail to comply with the relevant standards with respect to burial services in China, the relevant government authorities may order us to cease the sale or provision of burial products or services. Further, the relevant government authorities have the power to order us to pay a penalty in the amount of one to three times the unlawful gain from selling substandard burial products and services. See “Regulation — Regulations Relating to Cemetery.” Further, in the case of serious breaches, our license for cemetery operation may be revoked.

## **RISK FACTORS**

**There are uncertainties associated with the expansion of our business.**

The successful implementation of our expansion strategies may be influenced 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, to acquire additional land suitable for our expansion at reasonable prices as the availability of land for cemetery use is strictly controlled in China, to utilize our management and financial resources efficiently, to procure funding for capital expenditure related to any expansion, to hire, train and retain skilled and qualified personnel, and to operate new businesses or enter new regional markets that we are unfamiliar with. For example, we obtained the land for our cemetery in the past at a cost significantly lower than the prevailing land price today, and any subsequent land acquisition to expand our cemetery or build new cemeteries may be at a significantly higher price. We cannot assure you that we will be able to successfully implement our expansion strategies. If we are unable to find suitable opportunities for business expansion or complete expansion projects successfully for any reasons, such as inability or delays in obtaining the requisite permits or licenses due to non-compliance or inability to acquire new land due to regulatory or economic reasons, our business, financial condition and results of operations may be materially and adversely affected.

The expansion of our burial services is also dependent on customer satisfaction and our marketing efforts. In order to maintain growth in our business, it may be necessary for us to implement marketing initiatives to create public awareness and acceptance of our services. If any of our marketing initiatives fail to generate anticipated demand, our business growth may also be adversely affected.

**We may not be able to maintain or increase our historical levels of revenue or profitability.**

Our revenue was RMB24.4 million and RMB31.2 million for 2015 and 2016, respectively. Our net profits in 2015 and 2016 was RMB14.3 million and RMB16.2 million, respectively, representing a net profit margin of 58.7% and 51.9% during the same period, respectively. Our future revenue and profitability depend on a number of factors, including the continued expansion of saleable burial plots and our ability to control our costs and expenses which we expect to increase as we expand our operations. We cannot assure you that we will be able to increase or maintain our historical revenue or profit levels.

**Future litigation, disputes and regulatory investigations may adversely affect our profitability and financial condition.**


We may be in the future subject to legal actions, disputes and regulatory investigations in the ordinary course of our business. We may become involved in disputes with various parties in relation to our provision of burial services, including contractual disputes and personal liability claims. Any such disputes may lead to legal or other proceedings and result in substantial costs and the diversion of resources and management's attention away from our business. For example, we may be subject to litigation and liability for allegedly improper or defective burial practices, including historical burial practices which are judged as outdated or substandard. In addition, as part of our expansion strategies, we may

## RISK FACTORS

selectively acquire cemeteries and funeral facilities operated by third parties, and as a result, we may be subject to litigation and liability based upon actions or events which occurred prior to the acquisition. Claims or litigation alleging improper or defective burial services could have a material adverse effect on our financial condition, results of operations and cash flow. We may also be subject to monetary penalties as a consequence of regulatory investigations or inspections. For instance, the size of burial plots is regulated in China and there is currently no clear guidance on how the dimensions of burial plots may be measured to ensure compliance. As a consequence, we may be subject to monetary penalties of up to three times the unlawful gain in monetary value if our cemetery is found, upon regulatory inspection, to be in technical breach of the regulation of the size of burial plots in China.

**We may not be able to successfully register our trademarks with the PRC or Hong Kong government authorities, adequately protect our intellectual property or maintain favorable publicity, which could harm the value of our brand and adversely affect our business.**

We believe that the success of our business and competitiveness depend in part on our brand “萬桐園 (Wan Tong Yuan)” and customer awareness of our brand. Our ability to implement our business plan successfully also depends in part on our ability to further raise brand recognition using our trademarks and other intellectual property, including our trade names and logos.

We had submitted applications to register “萬桐園 (Wan Tong Yuan)” and the associated logo “” with the relevant PRC and Hong Kong government authorities and had not received the approval for registration as of the Latest Practicable Date. As our logo presents a common image of a flourished tree, we cannot guarantee that third parties will not contest our applications by claiming that our logo appears similar to and therefore infringes their trademarks or other intellectual properties that are protected by law. If our applications are denied on the grounds of third party contest or any other reason, we may be required to substantially modify or abandon our logo, which may adversely affect the value of our brand and recognition.

If our efforts to maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brand may be harmed which, in turn, may prevent our brand from achieving or maintaining market acceptance. We cannot assure you that the measures we have put in place to protect our intellectual property rights will be sufficient. Despite our efforts, we may not be able to prevent third parties from infringing upon our intellectual property rights, including our trademarks, trade names and logos. We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights. Such proceedings would likely be time-consuming and expensive to resolve and would divert our management’s time and attention regardless of their outcome and could materially and adversely affect our business, financial condition and results of operations.

## **RISK FACTORS**

Further, since our operations relate to events involving emotional stress for our customers and their families, our business is dependent on customer trust and confidence. Negative publicity or customer disputes and complaints regarding any infringing party's unauthorized use of our trademarks, trade names and logos could dilute or tarnish our brand appeal and reputation, which could damage our sales, profitability and prospects, even if we are able to successfully enforce our legal rights. For example, unfavorable publicity about our business generally or in relation to any customer complaints could affect our reputation and customer trust and confidence in our services, thereby having an adverse impact on our sales and results of operations, as well as on the value of our brand. In addition, we cooperate with a number of funeral service providers in Langfang by allowing them to use our brand name and logo so that they may refer customers to us. We do not have control over their activities, and if their services are substandard or if they commit fraud, our reputation may be harmed as prospective customers may associate our brand name with their services or acts.

**Our insurance coverage may not be sufficient to cover all losses and we may incur substantial costs as a result of a severe business liability or disruption or other unexpected events.**

We have recently purchased insurance coverage for personal injuries sustained on our premises caused by our operations or damages to our facilities caused by accidents or natural disasters. Although we believe that our current insurance coverage is generally commensurate with the local industry practice, we cannot assure you that our insurance is able to cover all potential risks or losses associated with our operations. For example, our current insurance coverage does not extend to personal injuries sustained on our premises as a result of accidents or natural disasters, and we may incur losses or be held liable to claims exceeding our current insurance coverage. During the Track Record Period and up to the Latest Practicable Date, we did not experience any incidents that had caused material personal injuries on our premises or damages to our facilities. In the future, if we encounter any incidents that result in losses or claims exceeding our current insurance coverage, there could be a material adverse effect on our business, results of operations and financial condition.

**We face certain risks relating to the properties we own.**

We have certain title defects with respect to certain properties that we own with an aggregate gross floor area of approximately 5,775 sq.m., primarily for the storage of cremains and office administration. We did not timely complete the relevant environmental protection, planning and construction approval procedures required under the PRC laws and regulations. For details, see "Business — Non-compliance — Property title defects." As a result of such defects, we may be required by the competent government authorities to rectify such defects within a stated period or impose a fine of up to approximately RMB834,000. We may also encounter difficulties in continuing to own and use such properties and may be required to relocate if the government authorities seek to demolish buildings, and we may incur additional costs relating to such relocations as well as business interruption. Furthermore, we may not be able to find suitable alternative premises and our business may be adversely affected if we relocate to less desirable locations.

## RISK FACTORS

**We may be subject to additional social insurance and housing reserve fund contributions and late payments or fines imposed by relevant regulatory authorities.**

During the Track Record Period, we did not make adequate social insurance and housing reserve fund for all of our employees, nor did we register with the relevant housing reserve fund authorities or make housing reserve fund contributions for all of our employees in a timely manner. As advised by our PRC legal advisers, we may be subject to late fees and fines for our insufficient contributions to the social insurance plans and housing reserve fund and non-registration of an account for housing reserve fund. As of the Latest Practicable Date, we did not received any notice from the local authorities on any claim from our current and former employees regarding our inadequate contributions. See “Business — Non-compliance — Social insurance plans and housing reserve fund.” We made full provision for the shortfall amounts in social insurance and housing reserve fund contributions. However, our provision does not anticipate and thus does not include fines that may be imposed by the competent government authorities if we fail to rectify the non-compliance within a prescribed timeframe or the late fees. If we are ordered to pay fines or late fees, we may need to make additional provision to make up for the shortfall, which may adversely affect our results of operations and financial condition.

**If we lose the continued services of our Directors, senior management and employees, our business and results of operations may be materially and adversely affected.**

Our performance depends on the continued service and performance of our Directors and our senior management and on our ability to retain and motivate our Directors and senior management.

Our success is attributable to the expertise and experience of our Directors and members of our senior management. In particular, Ms. LI Xingying, our executive Director, has been the driving force of our development and is primarily responsible for formulating the overall operation of our Group, and Mr. YU Minghua, our chief executive officer, is primarily responsible for product development and business expansion of our Group. Both Ms. Li and Mr. Yu have been instrumental in steering our growth and expansion, and, together with the other executive Director and our senior management, have been responsible for formulating and implementing our overall business strategy and corporate development. While our Directors have entered into service agreements or letters of appointment with us, any Director may terminate his or her services by giving us notice of termination of service at any time in accordance with the terms of the service agreement or letter of appointment signed with us. The loss of services of any of the above key personnel may disrupt or adversely affect our business operations and we may be unable to find or train suitable replacements in a timely manner or at all. The loss of the services of key personnel or the inability to identify, hire, train and retain other qualified managerial personnel in the future may materially and adversely affect our business, financial condition and results of operations.



## **RISK FACTORS**

Further, our continued success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified and skilled employees for our business operations. The burial services industry is stigmatized due to the influence of thousands of years of feudal thinking. As a result, new burial services employees tend to be less educated and are often relatives or family members of those who are already in the industry. The industry generally lacks experienced professionals and well-educated workers, which had oftentimes led to delivery of unsatisfactory services. Any failure to recruit skilled and qualified personnel or to retain key staff may materially and adversely affect our operations and expansion plans. Also, any material increases in our employee turnover rates could have a material adverse effect on our business, financial condition and results of operations. Additionally, the competition for acquiring skilled and qualified employees could require us to pay higher wages to attract and retain such employees, which could result in higher labor costs and lower profits.

**We relied on one major supplier during the Track Record Period, and any disruption in its supply may have a material adverse effect on our business and results of operations.**

In 2015 and 2016, we procured headstones from one major supplier and purchases from this supplier accounted for approximately 78.3% and 89.0% of our total purchases, respectively. Should this major supplier cease its business relationships with us and we fail to locate suitable replacements on a timely basis and at acceptable cost, our business, financial condition and results of operations may be materially and adversely affected.

**The burial services industry is becoming increasingly competitive.**

According to the F&S Report, the burial services industry in Langfang is concentrated and is composed of a small number of large burial services providers. We face competition from state-owned and privately-owned service providers. To compete successfully, we must provide and maintain high-quality burial services and we may be compelled in the future to engage in price competition, which may affect our profit margins. If we are unable to compete cost-effectively, our business, financial condition and results of operations could be materially and adversely affected.

**Our business may be subject to price controls in the future.**

The PRC Price Law (中華人民共和國價格法) became effective on May 1, 1998. Compliance with the requirements under the PRC Price Law, together with the relevant regulations, may limit our earning potential.

Pursuant to applicable law, prices for goods and services are divided into the categories of (1) market pricing (pricing determined by market forces); (2) government guided pricing (price range set by the government and determined by the company within such a range); and (3) fixed pricing (pricing fixed by the relevant government authorities). The PRC government has the power to enforce government-guided pricing and fixed pricing on services which benefit society when the government considers it necessary to do so.

***THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.***

## **RISK FACTORS**

We are currently not subject to any government price controls. We cannot assure you, however, that future changes in price-related regulations will not have an adverse effect on our profitability, future business, financial condition and results of operations.

**Our future financial performance will be negatively affected by the [REDACTED] expenses incurred in connection with the [REDACTED].**

Our financial results for the year ending December 31, 2017 will be affected by non-recurring expenses in relation to the [REDACTED]. The estimated expenses in relation to the [REDACTED] are approximately RMB20.3 million. We expect to recognize approximately RMB12.2 million in our combined or consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2017 and to deduct the amount of approximately RMB6.7 million from our share premium for the year ended December 31, 2017.

Whether or not the [REDACTED] eventually occurs, a major portion of the [REDACTED] expenses will have been incurred and recognized as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. In addition, if the [REDACTED] were to be postponed due to market conditions, we would also need to incur additional [REDACTED] expenses for our future [REDACTED] plan, which would further negatively affect our future net profit. As a result, our business, financial performance, results of operations and prospect would be materially and adversely affected.

### **RISKS RELATING TO DOING BUSINESS IN CHINA**

**The economic, political and social conditions of China could affect our business, financial condition and results of operations.**

All of our operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social conditions in China. The Chinese economy differs from the economies in developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot predict future changes in China's economic, political and social condition and the effect that new government policies will have on our business and future prospects.

## **RISK FACTORS**

**The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.**

The PRC legal system is based on written statutes, and prior court decisions can only be cited as references. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves a significant degree of uncertainty, and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws, or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. The laws and regulations on the burial services industry are still evolving, for example, there are still no specific provisions on the legal nature of transferring the right to use the burial plots, and it is still not clear whether a transfer of the right to use the burial plots will be deemed as a transfer of a land use right or a lease. If transfers of right to use the burial plots are deemed as a transfer of land use rights or leases, there may be disputes between us and our customers with respect to the terms of our services, which may have a material adverse impact on our business, financial condition and results of operations.

**Governmental control of currency conversion and changes in the exchange rate between the Renminbi and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.**

All of our revenue is denominated and settled in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that we satisfy certain procedural requirements. However, approval from SAFE or its local counterpart is required when Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Since substantially all of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.



## **RISK FACTORS**

**We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have and any limitation on our PRC subsidiaries' ability to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.**

We are a Cayman Islands holding company and conduct substantially all of our operations through our PRC subsidiaries. We rely principally on dividends and other distributions on equity by our PRC subsidiaries, for our cash requirements, including the funds to pay dividends and to service any debt we may incur or financing we may need for our operations. In addition, if our PRC subsidiaries incur debt in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us as well. Furthermore, under PRC laws and regulations, our PRC subsidiaries are only permitted to pay dividends out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Under PRC laws, our PRC subsidiaries are also required to set aside at least 10.0% of their after-tax profit based on PRC accounting standards each year to their general reserves until the cumulative amount of such reserves reaches 50.0% of its registered capital. These reserves are not distributable as cash dividends, loans or advances. Our PRC subsidiaries may also allocate a portion of their after-tax profits based on PRC accounting standards, as determined by their shareholders, to their staff welfare and bonus funds, which may not be distributed to us.

In addition, under the PRC Enterprise Income Tax Law and its implementation rules, dividends generated from our PRC subsidiaries' business in China and payable to our Company generally will be subject to a withholding tax rate of 10.0%. As a result of these and other restrictions under PRC laws and regulations, our PRC subsidiaries are restricted from transferring a portion of its assets to us as dividends, loans or advances. We cannot assure you that our PRC subsidiaries will generate sufficient earnings and cash flows in the near future to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations, pay interest and expenses or declare dividends.

**You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.**

We are incorporated in the Cayman Islands. Almost all of our assets and some of the assets of our Directors are located in China. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may

## RISK FACTORS

apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgment. The arrangement came into effect on August 1, 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain. In addition, China is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible.

**We may be deemed to be a PRC tax resident under the PRC Enterprise Income Tax Law, and as a result, our PRC-sourced income, dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to PRC withholding tax.**

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in our PRC subsidiaries. Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), which took effect on January 1, 2008, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC-resident enterprise are subject to a 10.0% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Under an arrangement between China and Hong Kong, which became effective on January 1, 2007, such dividend withholding tax rate is reduced to 5.0% for dividends paid by a PRC company to a Hong Kong-resident enterprise if such Hong Kong entity is a "beneficial owner." The Notice of the State Administration of Taxation on How to Comprehend and Determine the "Beneficial Owners" in Tax Treaties (國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知), effective from October 27, 2009, provides certain conditions under which a company cannot be defined as a "beneficial owner" under the treaty, and further provides that an agent or "conduit company" (defined as a company registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management) shall not be deemed a "beneficial owner." If the PRC tax authorities determine that our Hong Kong subsidiary is a "conduit company," we may not be able to enjoy a preferential withholding tax rate of 5.0% and dividend payable by our PRC subsidiaries to our Hong Kong subsidiary will be subject to withholding tax at the rate of 10.0%.

The PRC Enterprise Income Tax Law also provides that if an enterprise incorporated outside China has its "de facto management bodies" within China, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25.0% on its global incomes. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, SAT promulgated a circular to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. These criteria include: (1) the enterprise's day-to-day operational management is primarily exercised in China; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board

## **RISK FACTORS**

members or senior executives of the enterprise habitually reside in China. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. We do not believe we are a PRC resident enterprise as we are not controlled by any PRC company or PRC corporate group. However, if the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we will be subject to the uniform 25.0% enterprise income tax on our global incomes. In addition, although the PRC Enterprise Income Tax Law provides that dividend payments between qualified PRC-resident enterprises are exempt from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

Furthermore, Implementing Regulations of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例) provides that, (1) if the enterprise that distributes dividends is domiciled in China, or (2) if gains are realized from transferring equity interest of enterprises domiciled in China, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how “domicile” may be interpreted under such implementing rules, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC resident enterprise for tax purposes, any dividends we pay to our Shareholders may be regarded as income derived from sources within China and we may be required to withhold a 10.0% PRC withholding tax for the dividends we pay to our investors who are non-PRC corporate Shareholders, or a 20.0% withholding tax for the dividends we pay to our investors who are non-PRC individual Shareholders, including the holders of our Shares. In addition, our non-PRC Shareholders may be subject to PRC tax on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC Shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

There remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC tax authorities, and the PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our Shares may be materially affected.

## **RISK FACTORS**

**We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations.**

The M&A Rules, governing the approval process by which a PRC company may participate in an acquisition of assets or equity interests by foreign investors, requires the PRC parties to make a series of applications and supplemental applications to the government agencies, depending on the structure of the transaction. In some instances, the application process may require presentation of economic data concerning a transaction, including appraisals of the target business, which are designed to allow the government to assess the transaction. Government approvals will have expiration dates by which a transaction must be completed and reported to the government agencies. Compliance with the M&A Rules is likely to be more time-consuming and expensive than in the past and the government can now exert more control over the combination of two businesses. Accordingly, due to the M&A Rules, business combination transactions with foreign investors have become significantly more complicated, time-consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our Shareholders or sufficiently protect their interests in a transaction.

The M&A Rules allow PRC government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to MOFCOM and other relevant government agencies an appraisal report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The M&A Rules also prohibit a transaction at an acquisition price obviously lower than the appraised value of the PRC business or assets and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. Therefore, such regulation may impede our ability to negotiate and complete a business combination transaction on financial terms that satisfy our investors and protect our Shareholders' economic interests.

**Our operations are subject to environmental regulations in China.**

Our operations are subject to the increasingly stringent laws and regulations related to environmental protection, including laws and regulations governing emissions, waste water discharge, waste management and disposal, storage and handling, and workplace safety. Failure to comply with such laws and regulations could result in the assessment of substantial administrative, civil and criminal penalties, the imposition of investigatory and remedial obligations, and the issuance of injunctions restricting or prohibiting our business operations. Moreover, it is possible that the implementation of stricter environmental laws and regulations, or regulatory interpretations of these laws and regulations could result in additional costs and/or liabilities which have not yet been identified by us, such as the requirements to purchase pollution control equipment or to implement operational changes or improvements.

## RISK FACTORS

**Any outbreak of widespread contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations.**

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome, avian influenza, H1N1 influenza or H7N9 influenza) in China could materially and adversely affect the overall business sentiments and environment in China, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labor supply and, possibly, the overall economic growth of China. As our revenue is currently derived from our operations in China, any labor shortages on contraction or slowdown in the growth of domestic consumption in China could materially and adversely affect our business, financial condition and results of operations. In addition, if any of our employees are affected by any severe communicable disease, it could adversely affect or disrupt those areas in which we have operations and materially and adversely affect our financial condition and results of operations as we may be required to close our facilities to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the operations of our customers and suppliers, which could materially and adversely affect our business, financial condition and results of operations.

**Inflation in China could negatively affect our results of operations.**

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rise in inflation. During the past two decades, the rate of inflation in China has been as high as approximately 20.0%. Inflation can affect our results of operations if we are unable to pass along cost price increases to customers and may also weaken our competitiveness domestically. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. The implementation of such policies may impede economic growth. Repeated rises in interest rates by the central bank would likely slow economic activity in China which could, in turn, materially increase our financing costs and also reduce demand for our services which are priced at a premium.

### **RISKS RELATING TO THE SHARES AND THE [REDACTED]**

**There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile.**

Prior to the [REDACTED], there was no public market for our Shares. The [REDACTED] may differ significantly from the market price of our Shares following the [REDACTED]. We have applied for the [REDACTED] of and permission to deal in our Shares on GEM. However, even if approved, being [REDACTED] on GEM does not guarantee that an active trading market for our Shares will develop following the [REDACTED] or that our Shares will always be [REDACTED] and [REDACTED] on GEM. We cannot assure you that an active trading market will develop or be maintained following the completion of the [REDACTED], or that the market price of our Shares will not decline below the [REDACTED].



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## RISK FACTORS

The price and trading volume of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

- variations in our results of operation;
- success or failure of our management team in implementing stated business and growth strategies;
- gain or loss of an important business relationship(s);
- changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- changes in conditions affecting the industry, the general economic conditions or stock market sentiment or other events and factors;
- changes in market valuations and share prices of companies that may be **[REDACTED]** in Hong Kong;
- additions or departures of key personnel;
- fluctuations in market prices for our services;
- fluctuations in stock market prices and volume; or
- involvement in litigation.

In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

**Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.**

The **[REDACTED]** of our Shares is expected to be determined on the **[REDACTED]**. However, our Shares will not commence trading on the Stock Exchange until they are delivered. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse development, that could occur between the time of sale and the time trading begins.

## RISK FACTORS

**Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.**

The [REDACTED] is higher than the net tangible asset value per Share. Therefore, investors of the [REDACTED] will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible asset value to HK\$[REDACTED] per Share and HK\$0.14 per Share based on the [REDACTED] of HK\$[REDACTED] per Share and HK\$[REDACTED] per Share, respectively.

We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

**We may not be able to pay any dividends on our Shares.**

We cannot guarantee when and in what form dividends will be paid on our Shares following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our shareholders in the future, even if our financial statements indicate that our operations have been profitable. For further details on our dividend policy, see “Financial Information — Dividend.”

**Future sale of the Shares or major divestment of the Shares by our existing Shareholders could adversely affect the Share price.**

The sale of a significant number of Shares in the public market after the [REDACTED], or the perception that such sale may occur, could adversely affect the market price of the Shares. Except as otherwise described in the section headed “Underwriting” in this document and the restrictions set out by the GEM Listing Rules, there is no restriction imposed on our Controlling Shareholders or substantial Shareholders of our Company to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial Shareholders of our Company may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price that our Directors deem appropriate, thereby limiting our ability to raise capital.

## **RISK FACTORS**

**The interest of our Controlling Shareholders may not always coincide with the interest of our Group and those of our other Shareholders.**

Upon completion of the [REDACTED], our Controlling Shareholders will own, in aggregate, [REDACTED]% of our Shares. Our Controlling Shareholders will therefore, have significant influence over our operations and business strategies, and may have the ability to require us to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our business or those other Shareholders may be adversely affected as a result.

**You may face difficulties in protecting your interests under Cayman Islands laws.**

Our corporate affairs are governed by, among others, the Articles of Association, the Cayman Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority shareholders may be limited compared to the laws of other jurisdictions. See "Summary of the constitution of the Company and Cayman Islands Company Law" in Appendix IV to this document.

**Certain facts, forecasts and statistics in this document relating to China, the economic conditions thereof and the burial services industry derived from official government publications, market data providers and other independent third-party sources may not be reliable.**

Facts, forecasts and other statistics in this document relating to China, the economic conditions thereof, and the burial services industry are derived from various official government publications, market data providers and other independent third-party sources, including the F&S Report, which we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by our Company, the Underwriter or any of its affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China.



## **RISK FACTORS**

We have, however, taken reasonable care in the reproduction or extraction of the official government publications and reports of other market data providers and other independent third-party sources for the purpose of disclosure in this document. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts and statistics in this document may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

**You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

**Forward-looking statements contained in this document are subject to risks and uncertainties.**

This document contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “expect,” “may,” “ought to,” “should” or “will” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance.

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

**[REDACTED]**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

**[REDACTED]**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

**[REDACTED]**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

**[REDACTED]**

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<b>Non-executive Director</b>		
Ms. ZHAO Ying (趙穎)	Flat A, 11/F, BLK 5 Residence Bel-Air Island South 28 Bel-Air Avenue, Southern Hong Kong	Saint Kitts and Nevis
<b>Executive Directors</b>		
Ms. LI Xingying (李興穎)	B1, Textile Mill Dormitory Guangming West Road Anci District, Langfang Hebei PRC	Chinese
Mr. HUANG Guangming (黃廣明)	Room 203, Unit 2 Building 58 Jianshe Road Guangyang District Langfang Hebei PRC	Chinese
<b>Independent Non-executive Directors</b>		
Mr. CHEUNG Ying Kwan (張應坤)	Flat G, 2/F Palm Mansions Whampoa Garden Hung Hom, Kowloon Hong Kong	Chinese
Dr. WONG Wing Kuen, Albert (王永權)	No. 27, 3rd Street Section C, Fairview Park Hong Kong	Canadian
Mr. CHOI Hon Keung, Simon (蔡漢強)	Block A, Hongweihaiyiwan Keyaun South Road Nanshan Shenzhen PRC	Chinese

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<b>DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]</b>
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**Sole Sponsor**

Innovax Capital Limited  
Room 2002, 20/F,  
Chinachem Century Tower,  
178 Gloucester Road,  
Wanchai, Hong Kong

**[REDACTED]**

**[REDACTED]**

**Legal Advisers to our Company**

*as to Hong Kong and U.S. law:*  
Wilson Sonsini Goodrich & Rosati  
Suite 1509, 15/F, Jardine House  
1 Connaught Place  
Central  
Hong Kong

*as to PRC law:*  
Jingtian & Gongcheng  
34/F Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing  
China

*as to Cayman Islands law:*  
Travers Thorp Alberga  
1205A The Centrium  
60 Wyndham Street  
Central, Hong Kong

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<b>DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]</b>
---

<b>Legal Advisers to the [REDACTED]</b>	<i>as to Hong Kong law:</i> MinterEllison Level 25 One Pacific Place 88 Queensway Hong Kong
	<i>as to PRC law:</i> Commerce & Finance Law Offices 6/F NCI Tower 12A Jianguomenwai Avenue Chaoyang District Beijing China
<b>Reporting Accountants</b>	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong
<b>Property Valuer</b>	Vigers Appraisal & Consulting Limited 10/F The Grande Building 398 Kwun Tong Road Kowloon Hong Kong



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<b>CORPORATE INFORMATION</b>
------------------------------

<b>Registered office</b>	2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, P. O. Box 10338, Grand Cayman KY1-1003, Cayman Islands
<b>Headquarters in China</b>	Baganqu North, Economic and Technological Development Area, Langfang, Hebei, PRC
<b>Principal place of business in Hong Kong</b>	36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
<b>Company website</b>	<b>www.lfwt.com</b> ( <i>information contained in this website does not form part of this document</i> )
<b>Compliance officer</b>	Mr. HUANG Guangming Room 203, Unit 2 Building 58 Jianshe Road Guangyang District Langfang Hebei PRC
<b>Company secretary</b>	Mr. LAM Koon Fai ( <i>CPA, ACCA</i> ) 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

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<b>CORPORATE INFORMATION</b>
------------------------------

<b>Authorized representatives (for the purpose of the GEM Listing Rules)</b>	Ms. LI Xingying B1, Textile Mill Dormitory Guangming West Road Anci District, Langfang, Hebei PRC  Mr. LAM Koon Fai ( <i>CPA, ACCA</i> ) 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
<b>Members of the Audit Committee</b>	Dr. WONG Wing Kuen, Albert ( <i>Chairman</i> ) Mr. CHEUNG Ying Kwan Mr. CHOI Hon Keung, Simon
<b>Members of the Remuneration Committee</b>	Dr. WONG Wing Kuen, Albert ( <i>Chairman</i> ) Mr. CHEUNG Ying Kwan Ms. ZHAO Ying
<b>Members of the Nomination Committee</b>	Ms. ZHAO Ying ( <i>Chairman</i> ) Mr. CHEUNG Ying Kwan Mr. CHOI Hon Keung, Simon
<b>Principal share registrar and transfer office</b>	[REDACTED]
<b>Hong Kong Share Registrar</b>	[REDACTED]

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<b>CORPORATE INFORMATION</b>
------------------------------

**Principal bankers**

China Construction Bank  
Langfang Development Zone Branch  
159 Sihai Road  
Development Zone  
Langfang, Hebei  
PRC

China Construction Bank  
Langfang Housing and City Construction Branch  
34 Jinguang Avenue  
Guangyang District  
Langfang, Hebei  
PRC

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

**Compliance adviser**

Innovax Capital Limited  
Room 2002, 20/F,  
Chinachem Century Tower,  
178 Gloucester Road,  
Wanchai,  
Hong Kong

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## **INDUSTRY OVERVIEW**

*The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the F&S Report which may qualify, contradict or have an adverse impact on the quality of information in this section. The information has not been independently verified by us, the Sole Sponsor or any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED] nor is any representation given as to its accuracy or completeness. Except as otherwise noted, all the data and forecast in this section are derived from the F&S Report.*

### **REPORT COMMISSIONED FROM FROST & SULLIVAN**

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the death care services market in Hebei province and Langfang in China for the period from 2011 to 2021. The report prepared by Frost & Sullivan for us is referred to in this document as the F&S Report. We paid Frost & Sullivan a fee of RMB400,000, which we believe reflects market rates for reports of this type. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. It conducts industry research among other services. Frost & Sullivan has been covering the Chinese market from its offices in China since the 1990s. Its industry coverage in China includes agriculture, chemicals, materials and food, among others.

We have included certain information from the F&S Report in this document because we believe this information facilitates an understanding to the prospective investors of the death care services market and the burial services market for the countries and regions where we currently have business operations or those targeted ones for our future business expansion. The F&S Report includes information on the death care services market and the burial services market in Hebei province and Langfang as well as other economic data, which have been quoted in the document. Frost & Sullivan’s independent research consists of both primary and secondary research obtained from various sources in respect of the death care services market in Hebei province and Langfang. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. We believe that the sources of this information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect.

### **OVERVIEW OF CHINA’S MACRO ECONOMY**

Over the past decades, China has experienced strong economic growth and has become the world’s second largest economy in terms of nominal gross domestic products (“GDP”). According to the National Bureau of Statistics, China’s nominal GDP increased from RMB48.9 trillion in 2011 to RMB74.4 trillion in 2016, representing a CAGR of 8.7%. Similarly, nominal GDP per capita increased from RMB36,292 in 2011 to RMB53,952 in 2016, representing a CAGR of 8.3%. Driven by the robust economic development and the PRC central government’s initiatives to improve living conditions of rural households, the urbanization rate in China increased steadily from approximately 51.3% in 2011 to approximately 57.4% in 2016, representing a CAGR of 2.3%. In addition, total population also increased steadily from 1,347.4 million in 2011 to 1,379.0 million in 2016, representing a CAGR of 0.5%.

## INDUSTRY OVERVIEW

Individual income levels and living standards have also experienced significant improvement. The per capita annual disposable income of urban households increased from RMB21,810 in 2011 to RMB33,616 in 2016, representing a CAGR of 8.2% while the per capita annual disposable income of rural households increased from RMB7,396 in 2011 to RMB12,363 in 2016, representing a faster CAGR of 10.2%. The total retail sales value of consumer goods in China increased significantly from RMB18.7 trillion in 2011 to RMB33.2 trillion in 2016, representing a CAGR of 12.6%.

### OVERVIEW OF HEBEI’S MACRO ECONOMY

Hebei province is located in the northeast of China, with a land area of approximately 0.19 million square kilometers. As of December 31, 2016, the total population in Hebei province was approximately 74.7 million. Driven by a number of economic stimulus policies including “Revitalization Plans of Ten Key Industries,” the nominal GDP in Hebei province increased from RMB2,451.6 billion in 2011 to RMB3,182.8 billion in 2016, representing a CAGR of 5.4%. Nominal GDP per capita in Hebei province also increased from approximately RMB33,862 in 2011 to approximately RMB42,608 in 2016, representing a CAGR of 4.7%.

Hebei province also achieved a substantial progress in terms of the urbanization rate, which increased from approximately 45.6% in 2011 to approximately 53.3% in 2016. The individual income levels and living standards have also improved significantly. For instance, per capita annual disposable income of urban households in Hebei province increased from RMB18,300 in 2011 to RMB28,200 in 2016, representing a CAGR of 9.0% while per capita annual disposable income of rural households in Hebei province increased from RMB7,700 in 2011 to RMB12,000 in 2016, representing a faster CAGR of 9.3%. The total retail sales value of consumer goods in Hebei province increased substantially from RMB803.6 billion in 2011 to RMB1,436.5 billion in 2016, representing a CAGR of 12.3%.

#### Major Economic Indicators of Hebei Province (2011–2021E)

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
Population ( <i>million</i> )	72.4	72.9	73.3	73.8	74.2	74.7	75.0	75.4	75.8	76.1	76.5
Nominal GDP ( <i>RMB billion</i> )	2,451.6	2,657.5	2,844.3	2,942.1	2,980.6	3,182.8	3,392.1	3,603.2	3,815.5	4,025.3	4,240.1
Urbanization Rate (%)	45.6	46.8	48.1	49.3	51.3	53.3	54.3	56.4	57.2	58.3	60.1
Per Capita Annual Disposable Income of Urban Households ( <i>RMB</i> )	18,300	20,500	22,600	24,100	26,200	28,200	30,300	32,500	34,700	36,900	39,100
Per Capita Annual Disposable Income of Rural Households ( <i>RMB</i> )	7,700	8,400	9,200	10,200	11,100	12,000	12,900	13,900	15,000	16,100	17,300
Total Retail Sales Value of Consumer Goods ( <i>RMB billion</i> )	803.6	925.4	1,051.7	1,182.0	1,299.0	1,436.5	1,587.3	1,752.4	1,932.9	2,130.1	2,345.2
<b>CAGR</b>											
<b>Population</b>	0.6%										
<b>Nominal GDP</b>	5.4%										
<b>GDP Per Capita</b>	4.7%										
<b>Urbanization Rate</b>	3.2%										
<b>Per Capita Annual Disposable Income of Urban Households</b>	9.0%										
<b>Per Capita Annual Disposable Income of Rural Households</b>	9.3%										
<b>Total Retail Sales Value of Consumer Goods</b>	12.3%										
2011–2016	0.6%	5.4%	4.7%	3.2%		9.0%		9.3%		12.3%	
2017E–2021E	0.5%	5.7%	5.2%	2.6%		6.6%		7.6%		10.2%	

Source: National Bureau of Statistics of China; F&S Report

## INDUSTRY OVERVIEW

### OVERVIEW OF LANGFANG’S MACRO ECONOMY

Langfang is located in the heartland of Hebei province, with a land area of approximately 6,500 square kilometers. Langfang is known as the “Pearl of the Beijing-Tianjin corridor,” given its geographic proximity to Beijing and Tianjin. As of December 31, 2016, the total population in Langfang was approximately 4.7 million. Along with the robust economic growth of Hebei province, Langfang’s nominal GDP increased from RMB161.1 billion in 2011 to RMB270.6 billion in 2016, representing a CAGR of 10.9%. Nominal GDP per capita of Langfang also increased from approximately RMB38,357 in 2011 to approximately RMB57,821 in 2016, representing a CAGR of 8.6%.

Langfang also achieved a substantial progress in terms of the urbanization rate, which increased gradually from approximately 50.0% in 2011 to approximately 55.2% in 2016. Individual income levels and living standards have also improved significantly in the past five years. For instance, per capita annual disposable income of urban households in Langfang increased from RMB22,800 in 2011 to RMB34,500 in 2016, representing a CAGR of 8.6% while per capita annual disposable income of rural households in Langfang increased from RMB9,100 in 2011 to RMB14,300 in 2016, representing a faster CAGR of 9.5%. The total retail sales value of consumer goods in Langfang increased substantially from RMB49.3 billion in 2011 to RMB87.9 billion in 2016, representing a CAGR of 12.3%.

#### Major Economic Indicators of Langfang (2011–2021E)

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
Population ( <i>million</i> )	4.2	4.3	4.4	4.5	4.6	4.7	4.8	4.8	4.9	5.0	5.0
Nominal GDP ( <i>RMB billion</i> )	161.1	179.4	194.3	217.6	247.4	270.6	295.3	321.2	349.3	379.1	410.2
Urbanization Rate (%)	50.0	50.6	51.4	53.0	54.0	55.2	56.7	58.9	60.3	62.0	64.3
Per Capita Annual Disposable Income of Urban Households ( <i>RMB</i> )	22,800	25,800	27,000	29,400	31,900	34,500	37,300	40,200	43,200	46,300	49,400
Per Capita Annual Disposable Income of Rural Households ( <i>RMB</i> )	9,100	10,400	11,600	12,100	13,200	14,300	15,500	16,800	18,200	19,600	21,100
Total Retail Sales Value of Consumer Goods ( <i>RMB billion</i> )	49.3	56.8	63.7	72.4	79.3	87.9	97.3	107.6	118.9	131.4	144.8
<b>CAGR</b>											
	<b>Population</b>	<b>Nominal GDP</b>	<b>Nominal GDP Per Capita</b>	<b>Urbanization Rate</b>			<b>Per Capita Annual Disposable Income of Urban Households</b>	<b>Per Capita Annual Disposable Income of Rural Households</b>		<b>Total Retail Sales Value of Consumer Goods</b>	
2011–2016	2.2%	10.9%	8.6%	2.0%			8.6%		9.5%	12.3%	
2017E–2021E	1.4%	8.6%	7.0%	3.2%			7.3%		7.9%	10.4%	

Source: National Bureau of Statistics of China; Bureau of Statistics of Langfang; F&S Report

### OVERVIEW OF DEATH CARE SERVICES MARKET IN HEBEI PROVINCE AND LANGFANG

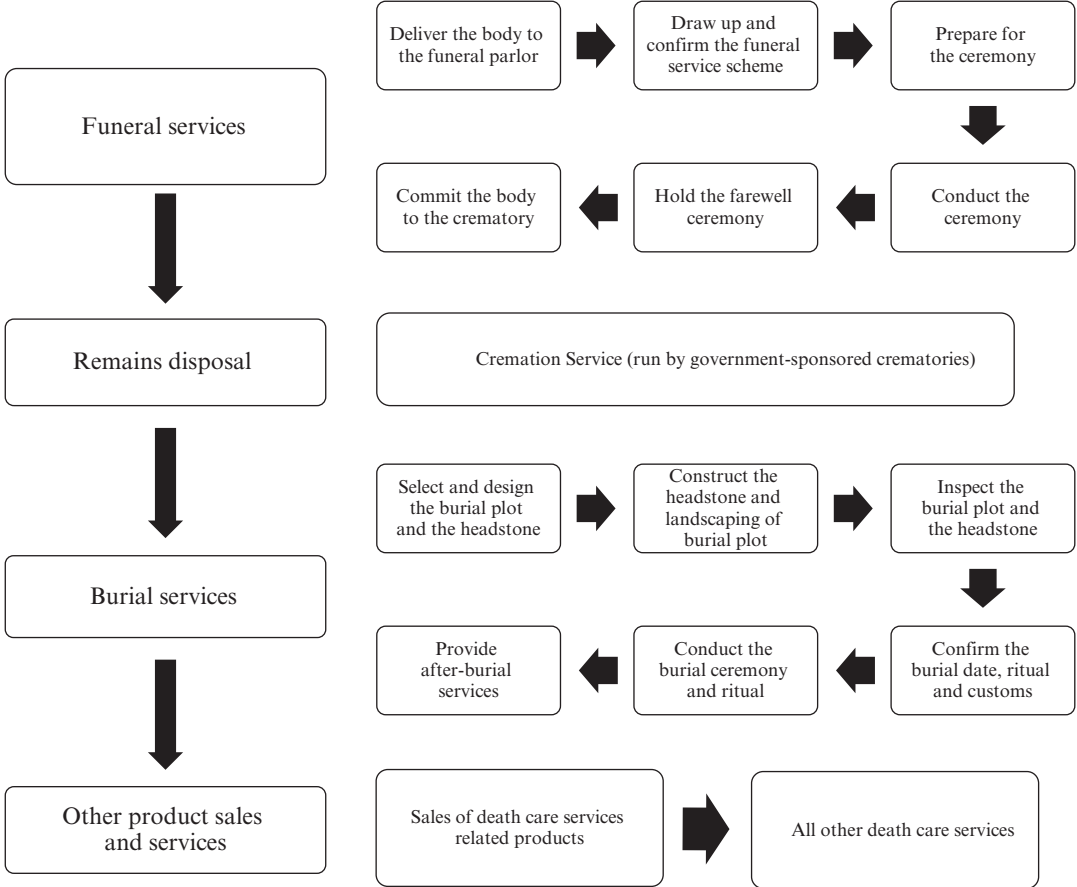
Funeral is the method and etiquette to deal with human remains, which is the product of social development and also an integral part of traditional culture. China is known as the “etiquette of the state” where people have attached importance to funeral rituals. Modern Chinese death care industry, which is the product of Sino-foreign cultural exchanges, is

**INDUSTRY OVERVIEW**

different from the past in terms of service location, service offerings and service methods. Although funeral and burial practices in contemporary China have been greatly simplified, the traditional expectation of a lavish funeral and memorial of the deceased still resonates deeply with the Chinese culture. China has had a wide range of funeral and burial practices throughout its history including ground burial, cremation, sky burial, tree burial, and many others. These practices have changed as people’s perception of death care services has evolved with cultural and economic changes. Along with the reform and opening up policies, the death care services market in Hebei province entered a new stage of development, which has attracted an increasing number of private businesses to the burial services segment due to its significant growth potential.

**Major segments of death care services market**

The death care services market in Hebei province is composed of four independent and interrelated segments, including burial services, funeral services, remains disposal and other product sales and services. The burial services business accounted for more than 50% of total death care services market in terms of revenue. The burial services segment in terms of revenue in Hebei province increased significantly from RMB885.6 million in 2011 to RMB1,892.5 million in 2016, representing a CAGR of 16.4%, the fastest among the segments. The fast growth of burial services market is mainly attributed to the growth in price and the demand for burial plots.



Source: F&S Report



## INDUSTRY OVERVIEW

### *Funeral services*

Funeral services refer to the provision and organization of funeral activities with funeral facilities and equipment, including among others, anti-corrosion, face-lifting, makeup, clothes changing, body delivery, funeral services planning, and ceremony preparation.

### *Remains disposal*

Remains disposal refers to the process of the dead body through primarily cremation, which is strictly controlled by PRC government. Only government-sponsored crematories can provide such services and the price is subject to strict government regulation.

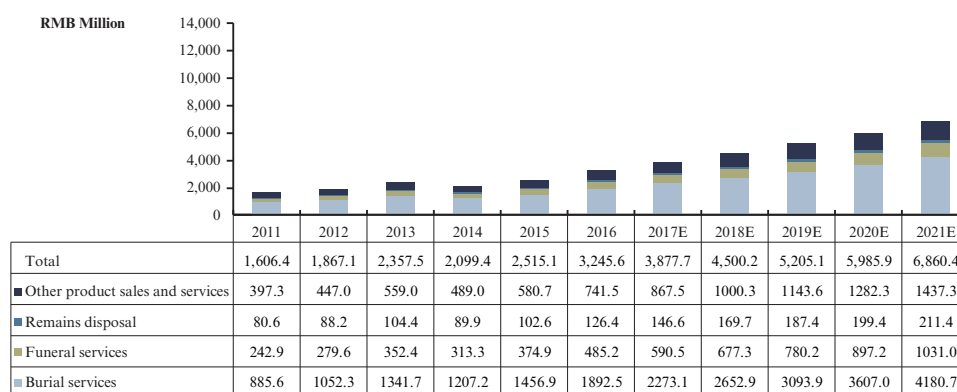
### *Burial services*

Burial services include the sale of burial plots, including the headstones and ancillary products to be used on the burial plots, and ancillary services such as the organization and conducting of interment rituals, the design, and construction and landscaping of the burial plots, and the engraving of inscriptions and ceramic photographs on the headstones. In recent years, new burial practices have emerged, including among others, burials under trees and flowerbeds and crypt-type family burial grounds. Burial services providers also maintain the burials plots and cemeteries in good repair on an ongoing basis.

### *Other product sales and services*

Other product sales and services refer to the sale of related products and all other death care services that are not included in the other segments.

### Size of Death Care Services Market in Hebei Province by Segment, 2011–2021E



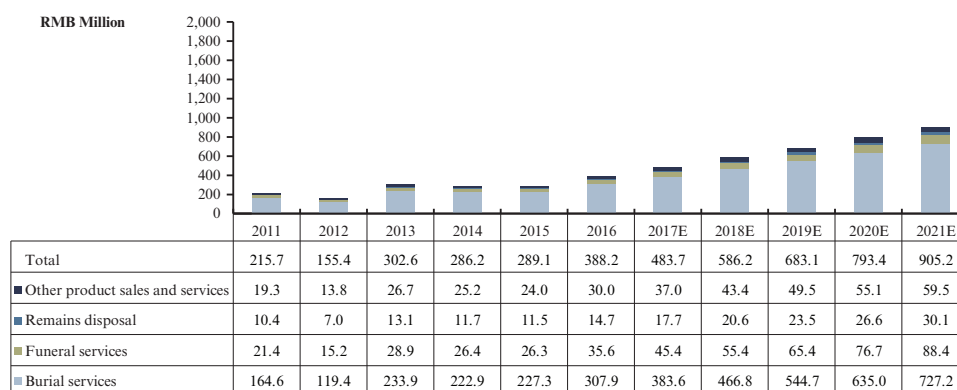
<i>CAGR</i>	<i>2016</i> <i>(RMB million)</i>	<i>2011–2016</i>	<i>2017E–2021E</i>
<i>Burial services</i>	<i>1,892.6</i>	<i>16.4%</i>	<i>16.5%</i>
<i>Funeral services</i>	<i>485.2</i>	<i>14.8%</i>	<i>15.0%</i>
<i>Remains disposal</i>	<i>126.4</i>	<i>9.4%</i>	<i>9.6%</i>
<i>Other product sales and services</i>	<i>741.5</i>	<i>13.3%</i>	<i>13.5%</i>
<i>Total</i>	<i>3,245.6</i>	<i>15.1%</i>	<i>15.3%</i>

Source: F&S Report



## INDUSTRY OVERVIEW

### Size of Death Care Services Market in Langfang by Segment, 2011–2021E



<i>CAGR</i>	<i>2016</i> <i>(RMB million)</i>	<i>2011–2016</i>	<i>2017E–2021E</i>
<i>Burial services</i>	<i>307.9</i>	<i>13.3%</i>	<i>17.3%</i>
<i>Funeral services</i>	<i>35.6</i>	<i>10.7%</i>	<i>18.1%</i>
<i>Remains disposal</i>	<i>14.7</i>	<i>7.2%</i>	<i>14.2%</i>
<i>Other product sales and services</i>	<i>30.0</i>	<i>9.2%</i>	<i>12.6%</i>
<i>Total</i>	<i>388.2</i>	<i>12.5%</i>	<i>17.0%</i>

Source: F&S Report

The size of the death care services market in Hebei province is expected to reach RMB6,860.4 million in terms of revenue in 2021, at a CAGR of 15.3% between 2017 and 2021. Burial services are expected to experience the fastest growth among the segments and reach RMB4,180.7 million in terms of revenue in 2021, at a CAGR of 16.5% between 2017 and 2021.

## KEY GROWTH DRIVERS

### Growing aging population and number of deaths

The Hebei province has become an aging society. The elderly population aged 65 and above in Hebei province increased from 8.2% of total population in 2011 to 10.6% in 2016. The elderly population aged 65 and above in Langfang increased from 7.9% to 10.4% of total population during the same period.

In 2016, there were approximately 470,600 and 19,700 deaths in Hebei province and Langfang, respectively. Due to the increasing number of elderly population, the number of deaths in Hebei province is expected to grow steadily from 2017 to 2021. As Hebei province has a large population base, the increase in the elderly population and the corresponding increase in the number of deaths represent favorable growth potential for the death care services market.

## INDUSTRY OVERVIEW

### Population Breakdown by Age in Hebei Province and Langfang, 2011–2021E

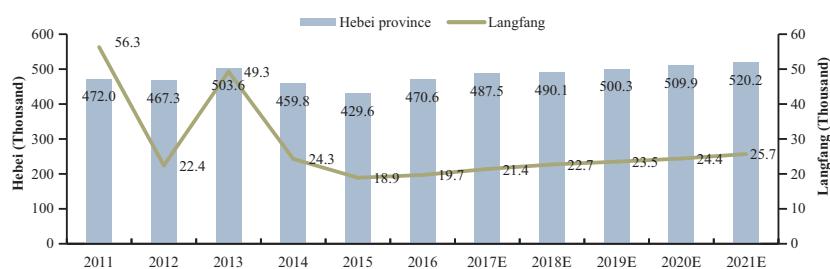
Hebei Province	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
Population Aged 0–14	17.6%	17.9%	17.8%	18.6%	18.2%	18.3%	18.5%	18.7%	19.0%	19.3%	19.6%
Population Aged 15–64	74.2%	73.0%	73.0%	72.1%	71.6%	71.1%	70.5%	69.8%	68.9%	67.9%	66.9%
Population Aged 65+	8.2%	9.1%	9.2%	9.3%	10.2%	10.6%	11.0%	11.5%	12.1%	12.8%	13.5%

Langfang	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
Population Aged 0–14	15.1%	15.4%	15.4%	16.3%	15.8%	15.9%	16.1%	16.4%	16.8%	17.2%	17.7%
Population Aged 15–64	77.0%	75.8%	75.7%	74.6%	74.2%	73.7%	73.1%	72.3%	71.4%	70.4%	69.3%
Population Aged 65+	7.9%	8.8%	8.9%	9.1%	10.0%	10.4%	10.8%	11.3%	11.8%	12.4%	13.0%

Source: F&S Report

### Number of Deaths in Hebei Province and Langfang, 2011–2021E



<b>CAGR</b>	<b>2011–2016</b>	<b>2017E–2021E</b>
Hebei Province	–0.1%	1.6%
Langfang	–18.9%	4.7%

Source: F&S Report

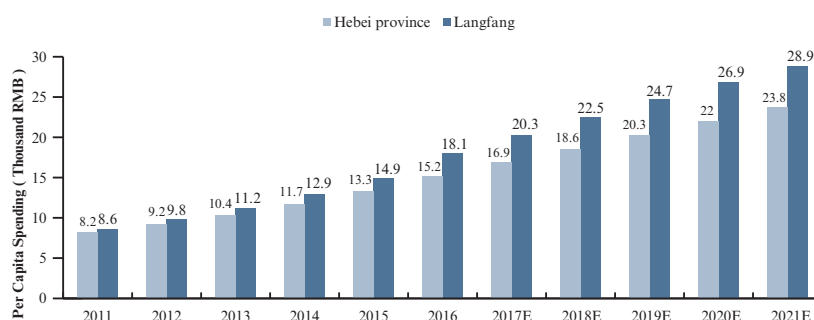
Death rate is affected by a variety of factors, including among others, age, medical care, and economic factors. As a result, the death rate in Hebei province has less volatility from 2011 to 2016 compared with Langfang where the death rate is more sensitive to these factors due to a much smaller population base. Driven by these factors, the death rate in Hebei province and Langfang is expected to grow steadily from 2017 to 2021.

## INDUSTRY OVERVIEW

### Per capita spending driven by urbanization

Driven by the increasing urbanization rate, the per capita spending on death care services in Hebei province increased from RMB8,242 in 2011 to RMB15,223 in 2016, representing a CAGR of 13.1%. With the growth of urbanization rate and per capita spending on death care services, residents are more willing to choose more personalized death care services. The per capita spending on death care services in Langfang also increased rapidly from RMB8,561 in 2011 to RMB18,052 in 2016, representing a CAGR of 16.1%. To meet the evolving customer demand, the death care service providers have launched a variety of new services in recent years. Moreover, motivated by the traditional culture and customs, elaborate burial and interment rituals have become a filial piety standards in Hebei province, and as a result, the demand for death care services in Hebei province has become relatively insensitive to price. Therefore, the growth in per capita spending is likely to drive the demand for the death care services market.

### Per Capita Spending on Death Care Services in Hebei Province and Langfang, 2011–2021E



<b>CAGR</b>	<b>2011–2016</b>	<b>2017E–2021E</b>
<i>Hebei Province</i>	13.1%	9.0%
<i>Langfang</i>	16.1%	9.3%

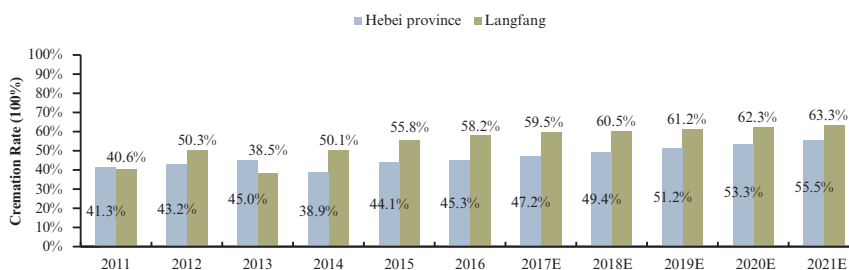
Source: F&S Report

### Favorable policy promoting cremation rate

PRC government has placed high priority on conserving land and protecting the environment in the reform of death care services market. Compared with ground burials, cremation can significantly reduce the usage of agricultural land. As a result, PRC government has introduced and will continue to take measures to encourage cremation. The Ministry of Civil Affairs has laid emphases on increasing cremation rate in China with a target at 100% cremation rate. The cremation rate in Hebei province and Langfang increased from 41.3% and 40.6% in 2011, respectively, to 45.3% and 58.2% in 2016, respectively, and is expected to reach 55.5% and 63.3%, respectively, in 2021. The urbanization process will facilitate the cremation practices and change the manners and customs of local residents.

## INDUSTRY OVERVIEW

### Cremation Rate in Hebei Province and Langfang, 2011–2021E



<b>CAGR</b>	<b>2011–2016</b>	<b>2017E–2021E</b>
<i>Hebei Province</i>	1.9%	4.1%
<i>Langfang</i>	7.5%	1.6%

Source: F&S Report

## COMPETITIVE LANDSCAPE

### Privately-owned companies versus state-owned companies

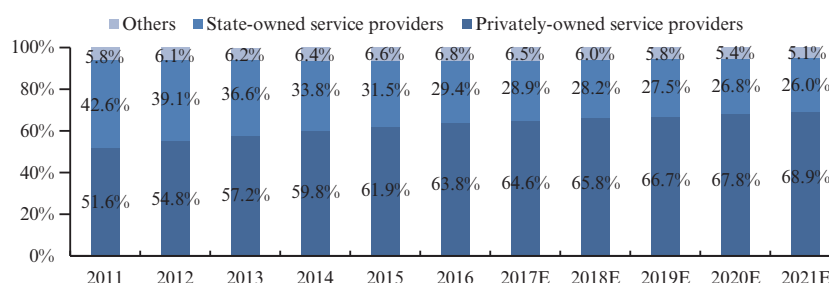
Privately-owned companies dominate the death care services market in terms of revenue and the number of services providers. Unlike the stated-owned competitors, privately-owned services providers provide a wider range of services with more customization and higher quality, including the transfer of the remains, ceremony arrangements, and sales of related products. Privately-owned companies have brought various changes and diversifications to the market in terms of business models and management systems to meet the increasing demand especially for the middle and high income families.

State-owned death care services companies, however, are relatively large in scale compared to privately-owned companies, and typically offer basic and limited death care services such as sales of burial plots and urns and other ancillary services. State-owned death care service companies are under the control of civil affairs authorities and provide primarily basic welfare services to meet the demand of low income families.

The privately-owned death care services providers as a percentage of the size of the death care services market in Langfang in terms of revenue increased gradually from approximately 51.6% in 2011 to approximately 63.8% in 2016 and is forecasted to reach approximately 68.9% by 2021, representing a CAGR of 1.6% between 2017 and 2021. The state-owned companies as a percentage of the size of death care services market in Langfang in terms of revenue experienced significant decrease, however, from approximately 42.6% in 2011 to approximately 29.4% in 2016.

## INDUSTRY OVERVIEW

### Market Size of Death Care Service Providers Breakdown in Langfang, 2011–2021E



<b>CAGR</b>	<b>2011–2016</b>	<b>2017E–2021E</b>
<i>Privately-Owned Service Providers</i>	4.3%	1.6%
<i>State-Owned Service Providers</i>	(7.1%)	(2.6%)
<i>Others</i>	3.2%	(5.9%)

Source: F&S Report

### Competitive death care services market in Hebei province and Langfang

The death care services market in Hebei province is fragmented and competitive with approximately 180 services providers and over 3,400 employees as of December 31, 2016, according to the National Bureau of Statistics. A majority of these services providers are small and have limited brand recognition. The death care service market is mostly a regional business and a majority of death care services providers tend to serve only local communities.

On the contrary, the death care services market in Langfang is relatively concentrated and with 18 services providers compete in the city level with a majority of the market share dominated by leading players. Compared to other cities in Hebei province, Langfang has competitive advantages from its geographic proximity to Beijing and Tianjin.

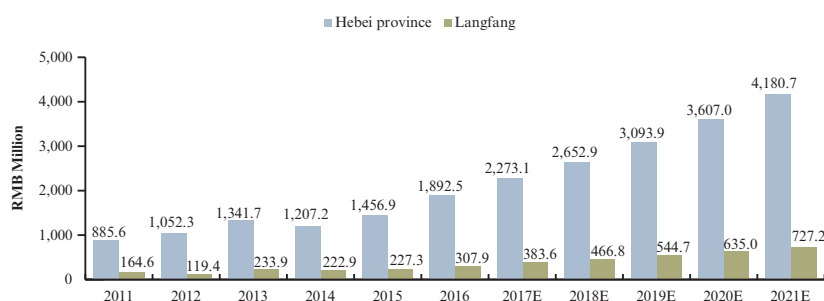
### Burial services market in Hebei province and Langfang

Among the four major segments of the death care services market, burial services is the largest and fastest-growing segment in both Hebei province and Langfang, accounting for approximately 58.3% and 79.3% of the total market share in terms of revenue in 2016, respectively. Between 2011 and 2016, the size of the burial services market in terms of revenue in Hebei province and Langfang grew significantly at a CAGR of 16.4% and 13.3%, respectively. The slower growth in Langfang was mainly due to the more pronounced fluctuation in the number of death in Langfang. Driven by the key growth drivers, the growth trend is expected to reverse by 2021, and the size of the burial services market in terms of revenue in Langfang is projected to grow at a faster CAGR of 17.3% compared to 16.4% in Hebei province.

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## INDUSTRY OVERVIEW

### Size of Burial Services Market in Hebei Province and Langfang, 2011–2021E



<b>CAGR</b>	<b>2011–2016</b>	<b>2017E–2021E</b>
<i>Hebei Province</i>	16.4%	16.5%
<i>Langfang</i>	13.3%	17.3%

Source: F&S Report

In 2016, the top five death care services providers accounted for approximately 93.2% of the death care services market in Langfang. Our Company was the third largest death care services provider in Langfang in terms of revenue in 2016.

#### Top Five Death Care Services Providers by Revenue in Langfang, 2016

<b>Ranking</b>	<b>Company</b>	<b>Revenue (RMB Million)</b>	<b>Market Share</b>
1	A	197.3	50.8%
2	B	87.6	22.6%
3	Our Company	31.2	8.0%
4	C	26.5	6.8%
5	D	19.2	5.0%
<b>Total</b>		<b>361.8</b>	<b>93.2%</b>

Source: F&S Report

In 2016, the top five burial services providers accounted for approximately 94.8% of the burial services market in Langfang. Our Company was the third largest burial services provider in Langfang in terms of revenue in 2016.

#### Top Five Burial Services Providers by Revenue in Langfang, 2016

<b>Ranking</b>	<b>Company</b>	<b>Revenue (RMB Million)</b>	<b>Market Share</b>
1	A	154.9	50.3%
2	B	71.8	23.3%
3	Our Company	28.5	9.3%
4	C	21.2	6.9%
5	D	15.4	5.0%
<b>Total</b>		<b>290.8</b>	<b>94.8%</b>

Source: F&S Report

## INDUSTRY OVERVIEW

### ENTRY BARRIERS

#### High regulatory barriers

In Hebei province, the approval of cemetery operation is strictly regulated by the government. For a long time, death care services providers in Hebei province have been under single ownership, exclusively permitted to government-sponsored operators. Despite the gradual commercialization of the death care services market, the construction of funeral parlors and crematoria remains subject to the strict government approval process.

#### Tightening land supply

As Hebei government vigorously promotes ecological burial practices, the approval of cemetery land and license is becoming increasingly stringent. There have been few new cemetery operators approved in many other provinces or cities in China. For example, Beijing has ceased approving new cemeteries, and Shanghai has not approved new cemeteries since 2008. The tightening land supply has caused the existing cemetery operation to become scarce resources, especially for well-planned and well-serviced cemeteries.

#### Brand recognition

The competitiveness of death care services providers is established from word of mouth, and customers are more inclined to choose renowned service providers. In a competitive market, well-known cemetery operators have established their competitive advantages in responses to the fierce competition. Consumers with high purchasing power are more likely to choose well-established death care service providers over new entrants.

### CONSTRAINTS OF DEATH CARE SERVICES MARKET IN LANGFANG

#### Tense supply of land

As the cremation and related market is largely monopolized by government-sponsored institutions, private enterprises are faced with more complex procedure in obtaining government approval and registration than their government-sponsored counterparts. The land supply for the cemetery is strictly controlled by the government and the application must be approved by a number of government departments, including the civil affairs authorities. With the competition in the market intensifies, the scarcity of cemetery land resource would become a critical factor for death care services providers to maintain and expand their business. In response to such challenge, large death care services providers are likely to acquire smaller players to achieve further development. Apart from providing more land resources, successful acquisitions can bring synergistic effect to large services providers and increase their competitive advantages.

#### Price controls from government

The increasing price for death care services in recent years has attracted the attention especially from the PRC government, who has the power to enforce price control policies. Pursuant to the Notice on the Cancellation of the Fee-charging Permit System and Strengthening the Supervision (關於取消收費許可證制度加強事中事後監管的通知) promulgated by the Hebei Price Bureau and the Department of Finance of Hebei Province on May 18, 2015, the system of fee-charging permit and annual review has been revoked. However, future adverse changes in price-related regulations may affect the business of death care services providers in Hebei province.



## INDUSTRY OVERVIEW

### FUTURE OPPORTUNITIES FROM JING-JIN-JI INTEGRATION

#### **Economic growth opportunities**

The integration of the Jing-Jin-Ji megalopolis will leverage the resources of different regions and form new market competitive advantages through innovation and upgrading of local industries. Beijing is expected to invest approximately RMB33.3 billion for the coordinated development of the Jing-Jin-Ji megalopolis, including the construction of a new airport, new hospitals and new campuses of several universities.

Langfang’s economy will benefit from the coordinated development with Beijing and Tianjin in the next five years. In the layout of integration of the Jing-Jin-Ji megalopolis, Langfang is identified as the central area. The relocated businesses are likely to promote Langfang’s economic growth.

#### **Market size of death care services market**

The growth of death care services market in the Jing-Jin-Ji megalopolis was mainly driven by the increasing per capita spending on death care services and the increasing cremation rate. From 2017 to 2021, death care services market in the Jing-Jin-Ji megalopolis is expected to maintain rapid growth and reach RMB16.7billion in 2021.

The death care services market in Langfang will maintain a strong growth from 2017 to 2021 with an expanding customer base covering the Jing-Jin-Ji megalopolis. As the price of burial plots in Beijing and Tianjin have become increasingly unaffordable for many local residents, cemetery operators in Langfang become highly competitive in offering affordable services. As a result, the market size and the revenue of cemetery operators in Langfang are expected to maintain a fast-paced growth.

#### **Expected future growth drivers**

Under the “Thirteenth Five-Year Plan of Jing-Jin-Ji Megalopolis,” the overall strength of the Jing-Jin-Ji megalopolis is expected to be further enhanced by 2020, with the regional economy maintaining fast-paced growth and making important progress in structural adjustment. Located between two international cities, Beijing and Tianjin, Langfang is known as the “Pearl of the Jing-Jin corridor” with substantial geographical advantages. The city center of Langfang is only 40 kilometers and 60 kilometers away from the city centers of Beijing and Tianjin, respectively. The planned new airport, located at the junction of Beijing and Langfang, is expected to be put into use in 2018 with an annual throughput of 45 million passengers.

According to the “Langfang’s City Master Plan (2016–2030),” by 2030, Langfang will become an important node in the Jing-Jin-Ji megalopolis, an cluster district of strategic emerging industries and modern services industries and a regional central city with certain international influence. As the target of the plan, the urbanization rate of Langfang is expected to reach 62% and 77% by 2020 and 2030, respectively. Langfang will continue to improve its expressway, city regional and railway networks, including the construction and extension of 10 expressways, 24 regional highways and eight railways. According to the “Thirteenth Five-Year Plan of Langfang,” Langfang also plans to jointly construct five industrial zones and parks with Beijing and Tianjin from 2017 to 2020, including the Beijing New Airport Economic Zone, Yizhuang-Yongqing High-tech Industrial Development Zone and Gu’an High-tech Industrial Park. As a result, the death care service market in Langfang is likely to benefit from the further integration of the Jing-Jin-Ji megalopolis.



## INDUSTRY OVERVIEW

### Growing Per Capita Spending on Death Care Service in Langfang

#### Per Capita Spending on Death Care Service in Jing-Jin-Ji Megalopolis and Langfang, (2011–2021E)

<i>RMB (Thousand)</i>	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
Beijing	18.5	19.8	21.6	25.2	28.7	32.2	35.9	39.3	42.8	45.9	48.9
Tianjin	14.2	17.3	18.6	21.3	24.2	27.2	30.4	33.5	36.7	38.9	41.3
Hebei	8.2	9.2	10.4	11.7	13.3	15.2	16.9	18.6	20.3	22	23.8
Langfang	8.6	9.8	11.2	12.9	14.9	18.1	20.3	22.5	24.7	26.9	28.9

<b>CAGR</b>	<b>Beijing</b>	<b>Tianjin</b>	<b>Hebei</b>	<b>Langfang</b>
2011–2016	11.7%	13.9%	13.1%	16.0%
2017E–2021E	8.0%	8.0%	8.9%	9.2%

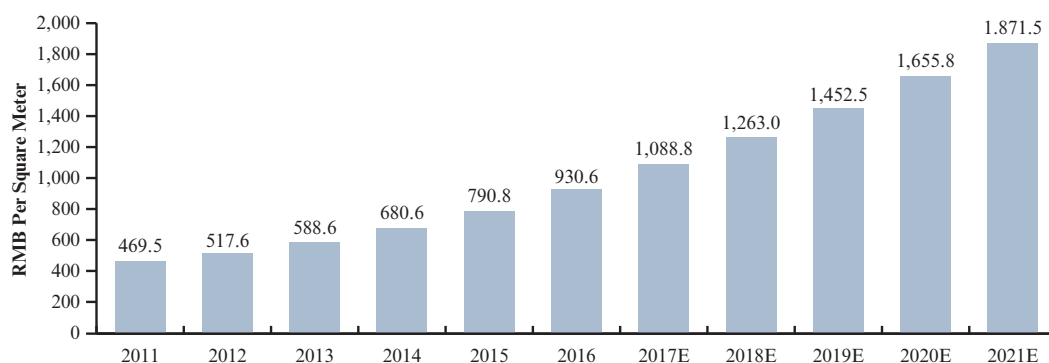
Source: F&S Report

Compared with Langfang, the per capita spending on death care services are much higher in Beijing and Tianjin. Apart from stronger consuming ability, the price of cemeteries in Beijing and Tianjin are much more expensive due to the tight supply of cemetery sites. Death care services in Langfang present a cost-effective solution attractive to an increasing number of customers from Beijing and Tianjin. Consequently, the per capita spending on death care service in Langfang is expected to achieve higher growth than that of the Jing-Jin-Ji megalopolis in general from 2017 to 2021.

### MAJOR COST TREND

The major costs of death care services providers include the acquisition of cemetery land, the purchase of headstones as well as other overhead expenditures to maintain the business operations. The price of cemetery land in Langfang increased from RMB469.5 per sq.m. in 2011 to RMB930.6 per sq.m. in 2016, representing a CAGR of 14.7%. Driven by the growing demand from property developers and the limited supply of land resources, the price of cemetery land in Langfang is expected to reach RMB1,817.5 per sq.m. by 2021, representing a CAGR of 14.5% between 2017 and 2021.

#### Price of Cemetery Land in Langfang, 2011–2021E



<b>CAGR</b>	<b>2011–2016</b>	<b>2017E–2021E</b>
Price of Cemetery Land	14.7%	14.5%

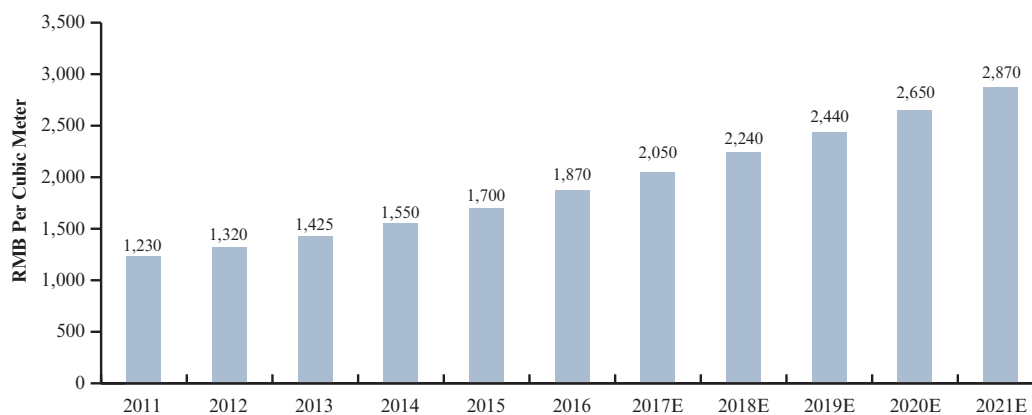
Source: F&S Report

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## INDUSTRY OVERVIEW

Between 2011 and 2016, the average price of headstones increased from RMB1,230 per cubic meter to RMB1,870 per cubic meter, representing a CAGR of 8.7%. The average price of headstones is expected to reach RMB2,870 per cubic meter by 2021, representing a CAGR of 8.8% between 2017 and 2021.

**Average Price of Headstones in Langfang, 2011–2021E**



<b>CAGR</b>	<b>2011–2016</b>	<b>2017E–2021E</b>
<i>Average Price of Headstones</i>	8.7%	8.8%

Source: F&S Report

## REGULATION

This section sets forth summaries of certain aspects of PRC laws and regulations, which are relevant to our operation and business.

### REGULATIONS RELATING TO CEMETERY

#### PRC Regulations on the Administration of the Death Care Services Industry

According to the PRC Regulations on the Administration of the Death Care Services Industry (the "**Administration Regulations**") which came into effect on July 21, 1997 after promulgation by the PRC State Council and was subsequently amended on November 9, 2012, the MCA under the State Council shall be responsible for funeral and burial administration in the PRC. The Civil Affairs Bureau of the local governments at or above the county level shall be responsible for funeral and burial administration in their respective jurisdictions. The construction of cemeteries shall be subject to the examination, verification and consent of the local Civil Affairs Bureau at the county level and the department of civil affairs at the administrative level of municipalities and autonomous prefectures in which the cemeteries to be constructed, and is subject to the approval of its counterparts at the administrative level of provinces, autonomous regions and municipalities. The construction of cemeteries with foreign investment shall be subject to the examination, verification and consent of the department of civil affairs of the local government in the relevant provinces, autonomous regions and municipalities, and is subject to the approval of its counterparts of the State Council. No institution or individual may establish any funeral and burial facility without prior approval from the designated authorities. Where funeral and burial facilities are constructed without approval, the department of civil affairs shall, in conjunction with the departments of construction administration and land administration, ban the same, order the restoration of the site to its original condition, confiscate illegal gains, and may concurrently impose a fine of between 100% and 300% of the illegal gains. Funeral services institutions shall strengthen the administration of funeral service facilities, renew and transform outmoded cremation equipment and prevent environmental pollution. Staff providing death care services are required to conform to operational procedures and professional ethics, provide standardized and civilized services, and may not avail themselves of any monetary or material benefits that may become available to them during the course of their services. Failure to comply with this regulation may result in refund by order of the department of civil affairs and be subject to criminal liability in the event of crime.

#### Provisional Measures on Cemetery Administration

Pursuant to the Provisional Measures on Cemetery Administration which was promulgated by the Civil Affairs Bureau on August 25, 1992, cemeteries are classified into cemeteries for public welfare and commercial cemeteries. Public welfare cemeteries provide burial places for rural communities. Commercial cemeteries provide burial places for urban communities on a fee-for-service basis. Construction of cemeteries may take place on barren hills and wasteland, but not occupy arable land, scenic areas or near reservoirs, lakes, rivers, roadsides or railway embankments. Cemetery land is owned by the state or national collectives and such land cannot be transferred or purchased without authorization of the relevant government authorities. The cemetery enterprises must establish cemetery

## REGULATION

management agencies or employ full-time management personnel to take charge of the construction, management and maintenance of the cemetery according to the size of the cemetery. A public welfare cemetery may not, without approval from the relevant government authorities, engage in funeral business. Management fees charged by a commercial cemetery shall cover no more than 20 years of service. Commercial cemeteries may charge grave rental fees, construction material fees, burial fees and grave protection and management fees for the provision of burial places.

### **Measures for Funeral Management in Hebei Province**

Pursuant to the Measures for Funeral Management in Hebei Province which was promulgated by the Civil Affairs Bureau of Hebei province on September 28, 1994 and amended on January 1, 1998, November 30, 2010, January 1, 2012 and May 10, 2013, local government at or above county level shall construct facilities for death care services, such as funeral parlors, crematoria and cemeteries. Except for ethnic minorities who are allowed to opt for coffin burial after death in accordance with the national regulations, citizens within crematoria areas shall practice cremation while citizens within areas for the reform of burial may opt for coffin burial after death. Citizens who opt for cremation voluntarily should be encouraged and supported and such decision shall not be intervened by others. Local government of all levels shall list all expenses required for the relocation, expansion and alteration of death care service facilities and the renewal and improvement of death care service equipment in their financial budgets. Commercial cemeteries shall be operated and managed by death care management authorities at municipal or county level and may be not established and operated by other institutions and individuals. After opined by the Department of Civil Affairs at municipal and county level and reviewed by local government of the same level, the establishment and operation of commercial cemeteries shall be approved by the department of civil affairs at provincial level. Its operation shall be also subject to the obtaining of Commercial Cemetery Operation License (公墓經營許可證). The establishment and operation of commercial cemeteries by a sino-foreign joint venture shall comply with applicable regulations of the state. Any establishment of commercial cemeteries in violation of the above Measures shall be banned by departments of civil affairs at or above county level and the construction and land administrative departments.

### **Opinions of Department of Civil Affairs of Hebei Province on the Facilitation of Green Burial to Improve Ecological Environment**

Under the Opinions of Department of Civil Affairs of Hebei Province on the Facilitation of Green Burial to Improve Ecological Environment (河北省民政廳關於加快推進綠色殯葬改善生態環境的意見) promulgated and implemented by Department of Civil Affairs of Hebei Province on September 25, 2013, green burial mainly promotes cremation and simplified funeral procedures, accelerates the upgrade and reform of facilities and fixtures for funerals, advocates an ecological form of funeral which in non-polluting and land-saving, initiates civilized and eco-friendly forms for praying for respects as well as actively carries out funeral policies which are in favour of people. The development of operational and commercial cemeteries is strictly controlled. The area of a tomb shall not exceed one square meter and the tombstone shall be miniaturized and beautified. Cemeteries are also encouraged to increase cultural substances and educational functions.

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Various governments and relevant departments shall accelerate the development of green burial through various measures, such as holding meetings, monitoring and performing spot checks, making adjustments in due course and reporting.

### **Regulations on Cemeteries for Foreign Investments**

Under the Foreign Investment Guidance Provisions (指導外商投資方向規定) which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002 and the Directory of Foreign-Invested Industries (外商投資產業指導目錄) which was promulgated by the MOFCOM and National Development and Reform Commission on March 10, 2015, foreign investment in cemeteries is allowed and such industry is not a restricted or prohibited category of business.

Based on the Administration Regulations, the construction of funeral and burial facilities with foreign investment shall be subject to the examination, verification and consent of the Civil Affairs Bureau of the local government in the relevant provinces, autonomous regions and municipalities, and then examination and approval by the MCA under the State Council. However, as stipulated by the Directive of the State Council on the Fifth Batch of Revocation and Delegation of the Administrative Levels for Examination and Approval (關於第五批取消和下放管理層級行政審批項目的決定) (the “**Directive**”) issued by the State Council on July 4, 2010 and the Circular of the General Office of the Ministry of Civil Affairs on Issues Concerning the Regulation of Examination and Approval Authority Over the Construction of Foreign-Invested Burial Facilities (民政部辦公廳關於規範利用外資建設殯葬設施審批權限問題的通知) (the “**Circular**”) issued on September 6, 2010, since July 4, 2010, the examination and approval authority for the construction of foreign-invested funeral and burial facilities has been delegated by the national authorities to the local level, the same level of approval required in Article 8(1) of the Administration Regulations for approval of a domestic invested funeral and burial facility.

## **REGULATIONS RELATING TO PRICE CONTROLS**

### **Price Law of the People’s Republic of China**

According to the Price Law of the People’s Republic of China which was promulgated by the Standing Committee of the National People’s Congress on December 29, 1997 and came into effect on May 1, 1998, prices for goods and services are divided into three categories:

- Market pricing — pricing determined by market forces;
- Guided pricing — pricing determined by the company and approved by the local pricing authorities; and
- Fixed pricing — pricing determined by the government without company input.

The PRC Government has the power to enforce guided and fixed pricing for the purpose of macro-control.

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In addition, business operators not carrying out the guided pricing, fixed pricing and the intervention measures and emergency measures of the statutory price shall be ordered for rectification, and their illegal income shall be confiscated. They may be imposed a fine of up to five times of the amount of illegal income. Fine may be imposed on those operators without illegal income, while business suspension for rectification shall be ordered for serious occasions.

### **The Directive Opinions on Further Strengthening the Management of Funeral and Burial Service Pricing Regulations**

According to the Directive Opinions on Further Strengthening the Management of Funeral and Burial Service Pricing Regulations (國家發展改革委、民政部關於進一步加強殯葬服務收費管理有關問題的指導意見) which was promulgated by the NDRC and the MCA and came into effect on March 22, 2012, it further ascertained the pricing policy for death care services as follows:

#### *1. Reasonably differentiate the nature of the services offered*

Death care services shall be classified into two types: basic services and derivative services (optional services). Basic services cover transportation of remains (including carriage and disinfection), storage of remains (including refrigeration), cremation and deposit of remains, and related services. Local authorities shall reasonably ascertain the scope of basic services, depending on local circumstances, to ensure satisfaction of the basic needs of local people.

Provided that a sufficient supply of basic services is available to satisfy the needs of the general public in terms of size and quality, funeral and burial units may develop derivative services. Derivative services refer to special services selected by customers other than basic services. These services may include embalming and preservation, rental of condolence areas and equipment, and related services.

#### *2. Strengthen pricing regulation of death care services*

Pricing of basic services shall apply fixed pricing, which shall be standardized and determined by the local pricing administration and other relevant authorities. Pricing shall be based strictly on cost monitoring, review and investigation, and the non-profit principle. Fixed pricing shall take into consideration local financial subsidies and may be adjusted from time to time. Pricing of the derivative services that are closely related to basic services shall apply guided pricing, which can be included in the local pricing schedule and set at the local level depending on local market conditions.

#### *3. Strengthen the guidance of pricing of goods used in funerals*

Pricing of goods used in funerals such as cinerary casket, grave clothing, wreaths and related items shall apply necessary guided pricing by the local pricing departments. Such pricing may be included in the local pricing schedule and delegated to the local government or subject to other necessary pricing administration, depending on local market conditions.



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### *4. Standardize cemetery pricing*

Pricing for non-profit cemeteries for public welfare shall apply fixed pricing, which shall be standardized and determined by the local pricing administration together with other relevant authorities. Such pricing shall be based strictly on cost monitoring, review and investigation, the non-profit principle and the principle of universal affordability. Pricing for other cemeteries shall apply market pricing set by business operators subject to strengthened guidance and regulations. However, pricing intervention and regulation by the government shall be conducted as the law permits if necessary to curb unreasonable pricing. Pricing for cemetery maintenance and management shall apply fixed pricing. If the terms of the contract for use of a burial plot expires and a renewal is applied for, the cemetery operation units shall charge cemetery maintenance and management fees, which shall be included in the local pricing schedule applying guided pricing in cooperation with the local pricing administration. The pricing thereof shall be ascertained by calculation of actual costs and reasonable profits incurred for maintaining and managing cemeteries at the local level.

### **Provisional Measures on Pricing Regulation of Death Care Services in Hebei Province**

According to the Notice on the Provisional Measures on Pricing Regulation of Death Care Services in Hebei Province (河北省物價局、河北省民政廳關於印發《河北省殯葬收費管理暫行辦法》的通知) promulgated by the Price Bureau of Hebei Province and the Civil Affairs Bureau of Hebei Province on June 28, 2005 and came into effect on July 10, 2005, the Price departments and civil affairs departments at all levels shall be responsible for the management of the pricing and standard of death care services in accordance with the laws. Unified provincial policy with hierarchical management approach is adopted in the pricing of death care services. Fixed pricing and market pricing are managed separately in accordance with relevant authorities. Fees for cemetery include fees charged for services of the settlement of remains and the burial process of the burial unit and shall be settled within 20 years. Public welfare cemeteries providing remains or ash burial services for rural communities must not conduct external business and charge for fee.

- Pursuant to the planning of funeral and burial facilities of the departments of civil affairs, the measure on pricing regulation of cemeteries established under the approval of the departments of civil affairs or that at provincial level to provide paid services to citizens shall be uniformly formulated by the price departments at provincial level.
- Fees for cemeteries are classified into fees for standard services and fees for special services. Fees for standard items include land leasing fees, cemeteries (cremation plots or ash halls) management fees, cemeteries construction fees, cemeteries maintenance fees and greening fees. Fees for special services refer to fees charged for the provision of special burial services at the request of clients which are subject to the same pricing management as special funeral services.

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- The pricing of provincial cemeteries shall be determined by the provincial price departments while the pricing of city or county cemeteries shall be determined by the price departments of the city or county where the cemetery is located in accordance with the provincial measures, and enforced after the filing to the provincial price departments.

All funeral services units shall perform objective and unified pricing, clear quotation, and high transparency under the supervision of the public and society. All price departments and civil affairs departments shall enhance the management and supervision on funeral services units. Where a funeral services unit violates such provisions, such as establishing pricing items without authorization, raising charging criteria, failing to perform objective and unified pricing and clear quotation and providing irresponsible services, it shall be subject to investigation and punishment of the price departments according to the laws.

Pursuant to the Notice on the Cancellation of the Fee-charging Permit System and Strengthening the Supervision (關於取消收費許可證制度加強事中事後監管的通知) promulgated by the Hebei Price Bureau and the Department of Finance of Hebei Province on May 18, 2015, the system of fee-charging permit and annual review shall be revoked. Since May 1, 2015, the fee-charging permit system has been revoked across the province and the annual review on the fee-charging permit has also been suspended. The system of fee-charging permit and annual review shall be replaced with a charges report system, which shall be established by the price bureaus and financial departments at various levels to focus on the situation of the charging unit and its balance of income and expenditures. Lists of charges and prices shall be made public. Prices and financial departments at different levels are required to establish a list of charges and an annual standard list of charges for administrative affairs as well as the system for preparing the lists.

### REGULATIONS RELATING TO FOREIGN INVESTMENT

#### **Wholly Foreign-owned Enterprise Law and Practice Notes on the Law of Wholly Foreign-Owned Enterprises**

According to the Foreign Invested Enterprise Law of the PRC (中華人民共和國外資企業法) which was amended by the Standing Committee of the National People's Congress on October 31, 2000 and September 3, 2016 and came into effect on October 1, 2016 and Practice Notes on the Law of Wholly Foreign-Owned Enterprises of the PRC (中華人民共和國外資企業法實施細則) which came into effect on April 12, 2001 and was amended by the State Council on February 19, 2014, foreign enterprises and other economic organizations or individuals are allowed to establish foreign enterprises in China. Foreign enterprises which establish and alter the special access management measures set out by the State Council shall be approved by the Ministry of Commerce of the State Council and certificate of approval shall be granted. Foreign enterprises which do not establish and alter the special access management measures are subject to filing management.



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### **Chinese-foreign Equity Joint Venture Law**

According to the Chinese-foreign Equity Joint Venture Law (中外合資經營企業法) which was promulgated by the Standing Committee of the National People's Congress on July 8, 1979, amended on April 4, 1990, March 15, 2001 and September 3, 2016 and came into effect on October 1, 2016, Implementation Regulations of the Chinese-foreign Equity Joint Venture Law (中外合資經營企業法實施條例) which was promulgated by the State Council in 1983 and amended in 2001 and 2011 and further amended on February 19, 2014, and the principle of equality and reciprocity, foreign companies, enterprises as well as other economic organizations and individuals are allowed to establish joint ventures with domestic companies, enterprises as well as other economic organizations in China. Agreements, contracts and articles of association executed by parties to a joint venture, which implement the special access management measures set out by the State Council, shall be subject to the approval of relevant commerce department while foreign enterprises which do not implement the special access management measures are subject to filing management. Parties to a joint venture shall share profits, risks and losses in the proportion of their respective registered capital and net profits shall be allocated in the proportion of registered capital of each parties to the joint venture.

### **Directory of Foreign-Invested Industries (amended in 2015)**

The investments of foreign investors and foreign invested enterprises in China shall comply with the Directory of Foreign-Invested Industries (外商投資產業指導目錄) (amended in 2015) which was promulgated by the National Development and Reform Commission and the Ministry of Commerce on March 10, 2015, the Directory of Foreign-Invested Industries comprises Directory of Encouraged Industries for Foreign Investment (鼓勵外商投資產業目錄), Directory of Restricted Industries for Foreign Investment (限制外商投資產業目錄) and Directory of Prohibited Industries for Foreign Investment (禁止外商投資產業目錄). Industries which do not included in the above directories are classified into the Directory of Permitted Industries for Foreign Investment (允許外商投資產業目錄). Where an investment belongs to the encouraged directory, foreign investment may enjoy preferential policies or benefits in certain circumstances. Where an investment belongs to the restricted directory, foreign investment shall be conducted in accordance with applicable laws and regulations. Where an investment belongs to the prohibited directory, no foreign investment will be allowed.

### **Notice of the General Office of the Ministry of Commerce on Clarifying the Authority for Examination and Approval of Foreign Investment in Funeral Services and Facilities**

Under the Notice of the General Office of the Ministry of Commerce on Clarifying the Authority for Examination and Approval of Foreign Investment in Funeral Services and Facilities (商務部辦公廳關於明確外商投資殯葬服務設施審批權限的通知) promulgated by the General Office of the Ministry of Commerce on April 7, 2015, the establishment of funeral services and facilities by a foreign enterprise shall obtain a permission from the Ministry of Civil Affairs pursuant to Regulations on the Administration of the Death Care Services Industry (殯葬管理條例), and subject to review and approval by competent regional commercial departments. In respect of any subsequent changes of foreign-invested

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funeral services and facilities which involve material matters, such as merger and acquisition, addition of capital and transfer of equity interests, the competent regional commercial departments shall seek opinions from the competent civil affairs departments.

### **Notice of the State Administration for Industry and Commerce on Effectively Conducting the Relevant Registration Work after the Implementation of the Recordation Administration of Foreign-Invested Enterprises**

According to the Notice of the State Administration for Industry and Commerce on Effectively Conducting the Relevant Registration Work after the Implementation of the Recordation Administration of Foreign-Invested Enterprises (工商總局關於做好外商投資企業實行備案管理後有關登記註冊工作的通知) which was promulgated by the State Administration for Industry and Commerce on September 30, 2016, it stipulated the principles of registration for foreign invested enterprises which do not involve implementation of special access management measures and the registration system was refined.

### **Announcement (2016) No. 22 of the National Development and Reform Commission and the Ministry of Commerce**

According to the announcement (2016) No. 22 of the National Development and Reform Commission and the Ministry of Commerce (國家發展改革委、商務部公告2016年第22號) (“**Announcement No. 22**”) which was promulgated by the National Development and Reform Commission and Ministry of Commerce on October 8, 2016, the scope of special access management measures for foreign investment shall be governed by the relevant provisions of the Directory of Foreign-Invested Industries (amended in 2005) on restricted and prohibited industries as well as encouraged industries with requirements for equity and senior executives. In addition, where a foreign-funded enterprise is formed through mergers and acquisitions or such an enterprise is modified, the relevant current provisions shall apply.

### **Provisional Measures on the Management of the Establishment of Foreign-invested Enterprise and the Change of its Filings**

On October 8, 2016, the Ministry of Commerce promulgated the Provisional Measures on the Management of the Establishment of Foreign-invested Enterprise and the Change of its Filings (外商投資企業設立及變更備案管理暫行辦法) (the “**Provisional Measures**”) which came into effect on the same date. In accordance with the Provisional Measures, the Provisional Measures shall be applicable to the establishment and change of a foreign-invested enterprise which does not involve the special access management measures provided by the state. In respect of the formalities of the establishment or change of filings of foreign-invested enterprise, the foreign-invested enterprise or its investors shall submit relevant documents through the integrated information system of foreign investment.

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### **Provisional Regulations on Domestic Investment of Foreign-invested Enterprises**

According to the Provisional Regulations on Domestic Investment of Foreign-invested Enterprises (關於外商投資企業境內投資的暫行規定) which was promulgated jointly by the Ministry of Foreign Trade and Economic Cooperation (now Ministry of Commerce) and the State Administration for Industry and Commerce on July 25, 2000 and amended on May 26, 2006 and October 28, 2015, the domestic investment of foreign-invested enterprises shall comply with the requirements set out in the Directions on Foreign Investment (《指導外商投資方向規定》) and the Directory of Foreign Investment. Foreign-invested enterprises are not allowed to invest in sectors which are prohibited from foreign investment. Where a foreign-invested enterprise establishes a company in any restricted sector, it shall be subject to the approval of the competent provincial departments under the Ministry of Commerce. The company registration authority will decide whether registration will be permitted or not in accordance with the Company Law (公司法) and the Administrative Regulations on Company Registration (公司登記管理條例). Where a registration is permitted, Business License for an Enterprise Legal Person (企業法人營業執照) will be granted and note of "Investment of Foreign-invested Enterprise" will be attached to the column of enterprise type. A foreign-invested enterprise shall make the filings with the original approving authority within 30 days after the establishment of the invested company.

### **REGULATIONS ON FOREIGN EXCHANGE**

Under the Regulations on the Administration of Foreign Exchange (外匯管理條例) which was promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996 and amended on January 14, 1997 and August 1, 2008, conditions, time limit and other contents in respect of foreign exchange incomes of domestic organizations and individuals which can be remitted to China or deposited outside China shall be stipulated by the foreign exchange department of the State Council in accordance with the status of international incomes and expenses as well as needs of foreign exchange management. Foreign exchange incomes under current account items can be kept or sold to financial institutions which settle and sell foreign exchange in accordance with relevant regulations of the state. Domestic institutions or individuals which make direct off-shore investment or engage in issuance and transaction of marketable securities and derivatives shall register with the foreign exchange department of the State Council in accordance with relevant regulations. Transactions that require approval or acknowledgment in advance by the competent authority of the State must complete the necessary approval or acknowledgment procedures before registration of foreign exchange. China would implement a regulated and managed floating exchange rate system based on market supply and demand for the RMB exchange rate.

Under the Notice on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, the "Circular 37"), which is promulgated by SAFE on July 4, 2014 and came into effect from the same day, before a domestic resident contributes its legally owned domestic and overseas assets or equity interests to a Special Purpose Vehicles ("SPV"), it shall be required to register with local branch of SAFE for foreign exchange registration of overseas investments and to

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update such registration in the event of any changes of basic information of the registered SPV or major changes in its capital, including increase and decrease in its capital, transfer, conversion, consolidation or subdivision of its shares. The SPV refers to "offshore enterprise directly established or indirectly controlled by a domestic resident (including domestic entity and individual resident) with their legally owned assets and equity interests in such domestic enterprise, or legally owned offshore assets or equity interests, for the purpose of investment and financing." "Round Trip Investment" refers to "any direct investment activities carried out by a domestic resident directly or indirectly through a SPV, including establishing a foreign-invested enterprise or project in the PRC by way of new establishment, merger or acquisition, while obtaining ownership, controlling interests, operation and management and other rights and interests." In addition, according to the procedural guidelines stated in the Circular 37, the condition of approval has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)."

Pursuant to Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知, the "**Circular 13**"), which was promulgated on February 13, 2015 and implemented June 1, 2015, the initial foreign exchange registration for establishing or taking control of a SPV by a domestic resident can be conducted with a qualified bank instead of a local foreign exchange bureau, and the Circular 13 also simplifies certain procedures of foreign exchange for direct investments.

In accordance with the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "**Circular 19**"), which was promulgated by SAFE on March 30, 2015 and came into effect on June 1, 2015, the foreign exchange capital of foreign invested enterprises shall be subject to discretionary foreign exchange settlement (the "**Discretionary Foreign Exchange Settlement**"). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the bank). Such foreign exchange capital can be settled at the bank based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The RMB converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it shall be required to provide supporting documents and subject to the review of the bank.

Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within their business scope. The capital of a foreign invested enterprise and capital in RMB obtained by the foreign invested enterprise from foreign exchange settlement shall not be used for the following purposes: (1) directly or indirectly used for the expenditures beyond the business scope of the enterprises or prohibited by relevant PRC laws and regulations; (2) directly or

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indirectly used for investment in securities unless otherwise provided by laws and regulations; (3) directly or indirectly used for granting the entrusted loans in RMB (unless permitted by the scope of business), repaying inter-enterprise borrowings (including advances by a third party) or repaying bank loans in RMB that have been sub-lent to a third party; and (4) paying the expenses related to the purchase of non-self-use properties (except for foreign-invested real estate enterprises).

On June 15, 2016, the State Administration of Foreign Exchange published and implemented the Notice on Reforming and Standardizing the Administrative Policies on Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知). According to the notice, the discretionary foreign exchange settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the discretionary foreign exchange settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of discretionary foreign exchange settlement of the foreign exchange capital is temporarily determined as 100%. The RMB capital from discretionary foreign exchange settlement for all domestic institutions shall be integrated into foreign exchange settlement account management. Pursuant to the notice, the foreign exchange income of capital accounts and the RMB capital obtained by the domestic enterprises from foreign exchange settlement can be used for expenses under current accounts within its scope of business, and may be used for expenses under capital accounts as permitted under applicable laws and regulations. According to the requirements of the notice, the foreign exchange incomes of capital accounts and RMB capital obtained by the domestic enterprises from foreign exchange settlement shall be used in accordance with the following provisions: (1) shall not be directly or indirectly used for the payment beyond the business scope of the enterprise or prohibited by applicable laws and regulations; (2) shall not be directly or indirectly used for investment in securities or other investment or wealth management other than bank guaranteed products unless otherwise provided by applicable laws and regulations; (3) shall not be used for granting loans to non-connected enterprises unless otherwise permitted by its business scope; and (4) shall not be used for the construction or purchase of real estate which is not for self-use (except for the real estate enterprises).

### REGULATIONS IN RELATION TO PRC COMPANIES

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (中國公司法) (the “**PRC Company Law**”), which was promulgated on December 29, 1993 and amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013. Under the PRC Company Law, companies are generally classified into two categories, namely limited liability companies and joint-stock limited companies. The PRC Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.



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The latest amendment to the PRC Company Law came into effect from March 1, 2014, pursuant to which there is no longer a prescribed timeframe for the shareholders to make full capital contribution to a company, except in situations where other relevant laws, administrative regulations and State Council require otherwise. Instead, shareholders are only required to state the capital amount that they commit to subscribe in the articles of association. Furthermore, the initial payment of a company's registered capital is no longer subject to a minimum amount requirement and the business license of a company will not state its paid-up capital. In addition, shareholders' contribution of the registered capital is no longer required to be verified by capital verification agencies.

### REGULATIONS RELATING TO TAXATION

#### Enterprise income tax ("EIT")

Pursuant to the Enterprise Income Tax Law (企業所得稅法) ("EIT Law") which was promulgated by the National People's Congress on March 16, 2007 and came into effect on January 1, 2008 and the Implementation Rules of the Enterprise Income Tax Law (企業所得稅法實施條例) ("**Implementation Rules**") which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, the unified income tax rate for PRC enterprises, foreign-invested enterprises and foreign enterprises which established production and operation facilities in the PRC is 25%. Enterprises are classified into "resident enterprises" or "non-resident enterprises".

Pursuant to the EIT Law and the Implementation Rules, dividends income generated in China of non-resident enterprises that do not have an establishment or premise of business in China or, despite the existence of such establishment or premise in China, the relevant income is not actually connected with such establishment or premise in China is generally subject to a 10% withholding tax rate (subject to dividends income derived from China) unless the jurisdiction of such non-resident enterprises has an applicable tax treaty with China that may reduce or exempt such taxes. Similarly, any incomes realized on the transfer of shares of such investors is subject to a 10% PRC income tax if such incomes are regarded as incomes derived from the PRC.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) which was promulgated by the SAT on August 21, 2006 and came into effect on December 8, 2006, a company incorporated in Hong Kong will be subject to a 5% withholding tax rate in respect of the dividends received from a company incorporated in China in which it holds 25% or more equity interests. In addition, according to the Notice on the Understanding and Identification of the Beneficial Owners in the Tax Treaty (關於如何理解和認定稅收協定中「受益所有人」的通知) which was promulgated by the SAT and came into effect on October 27, 2009, tax treaty benefits will not be applicable to "conduit" or shell companies without business substance, and the determination of the granting of tax treaty benefits will be subject to a beneficial ownership analysis which is based on a substance-over-form principle.

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Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Treaty (國家稅務總局關於執行稅收協定股息條款有關問題的通知) which was promulgated by the SAT and came into effect on February 20, 2009, non-resident taxpayers or obligors of withholding taxes shall be requested to provide significant amounts of documentary evidences to prove that a lower withholding tax rate is applicable to the persons entitled to the dividends in accordance with relevant tax treaty. The tax authorities is entitled to adjust tax benefits at their discretion if the major purpose of the transaction or arrangement is to obtain tax benefits.

Pursuant to the Notice of the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatments of Tax Treaty (非居民納稅人享受稅收協定待遇管理辦法) which was promulgated by the SAT on August 27, 2015 and came into effect on November 1, 2015, no prior approval from relevant tax authorities is required if non-resident taxpayers fulfill the conditions of tax reduction or exemption under dividend clauses of Tax Treaty.

Pursuant to the Notice of the Interim Measures for the Administration of Withholding at Source of Enterprise Income Tax for Non-resident Enterprises (非居民企業所得稅源泉扣繳管理暫行辦法) which was promulgated by the SAT on January 9, 2009 and came into effect on January 1, 2009, if a non-resident enterprise receives the income originating from China, including equity investment income such as dividend and profit, interest, rental and royalty income, income from property transfer and other incomes, the EIT payable on the taxable income shall be withheld at the source by the enterprise or the individual who is directly obligated to make relevant payment to the non-resident enterprise under applicable laws and regulations or contracts. The obligors of withholding taxes are required to withhold the EIT from the amount to be paid to the non-resident enterprises when such payment is made or due in accordance with such notice.

### **Business tax**

Pursuant to the Provisional Regulations on Business Tax (《營業稅暫行條例》) which was promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 and amended on November 10, 2008 and came into effect on January 1, 2009, the unit or individual engaged in the provision of taxable labor services, including transportation, construction, finance and insurance, posts and telecommunications, cultural and sports, entertainment and service, and transfer of intangible assets or sales of real estates shall be subject to business tax in accordance with the Provisional Regulations on Business Tax.

### **Value-added tax**

Pursuant to the Provisional Regulations on Value-added Tax (增值稅暫行條例) which was promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 and subsequently amended on November 10, 2008 and came into effect on January 1, 2009 and the Implementation Rules of Provisional Regulations on Value-added Tax (增值稅暫行條例實施細則) which was promulgated by the MOFCOM and came into effect on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, the taxpayers which engaged in the sale of goods, the provision of processing, repairing and replacement services and import of goods in the PRC shall be subject to

## **REGULATION**

value-added tax. General taxpayers shall be subject to a tax rate of 17% in respect of the sale or import of relevant goods; a tax rate of 17% in respect of the provision of processing, repairing and replacement services; and a tax rate of 0% in respect of the export of goods unless stated otherwise.

Pursuant to the Notice of MOFCOM and SAT on the Application of Low Value-added Tax Rate and Simplified Method to Certain Goods (財政部、國家稅務總局關於部分貨物適用增值稅低稅率和簡易辦法徵收增值稅政策的通知) which was promulgated by MOFCOM and SAT on January 19, 2009 and came into effect on January 1, 2009 and the Notice of MOFCOM and SAT on the Policy of Streamlining and Combining Value-added Tax Rate (財政部、國家稅務總局關於簡併增值稅徵收率政策的通知) which was promulgated by MOFCOM and SAT on June 13, 2014 and came into effect on July 1, 2014, the pawning and sales of pledged items shall be subject to a value-added tax rate of 3%.

Pursuant to the Notice of the Comprehensive Implementation of the Pilot Reform for Transition from Business Tax to Value-added Tax (關於全面推開營業稅改徵增值稅試點的通知) which was promulgated by MOFCOM and SAT on March 23, 2016 and came into effect on May 1, 2016, a nationwide pilot reform had been implemented since May 1, 2016. The taxpayers of the business tax in construction, real estate, finance and daily services industries were included in the scope of the pilot reform and shall be subject to value-added tax instead of business tax.

Pursuant to the Implementation Measures of the Pilot Reform for Transition from Business Tax to Value-added Tax (營業稅改徵增值稅試點實施辦法), the unit or individual which engaged in the sale of services, intangible assets or real estates in the PRC shall be recognized as taxpayer of value-added tax instead of business tax. Sale of services, including auctions and loans, shall be subject to a tax rate of 6%.

### **REGULATIONS RELATING TO LABOR AND SOCIAL INSURANCE**

The PRC has formulated various labor and safety laws, including the PRC Labor Law (勞動法), the PRC Labor Contract Law (勞動合同法), the PRC Social Insurance Law (社會保險法), the Regulation of Insurance for Work-Related Injury (工傷保險條例), the Unemployment Insurance Law (失業保險條例), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), and other related regulations, rules and provisions in respect of business operations in the PRC issued by the relevant governmental authorities from time to time.

According to the PRC Labor Law and the PRC Labor Contract Law, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The company must establish a system for labor safety and sanitation, strictly abide by the standards stipulated by the state, and provide relevant trainings to its employees. Employers are also required to provide safe and sanitary working conditions which meet rules and standards specified by the state, and carry out regular health examinations of their employees who engaged in hazardous occupations.



## REGULATION

As required under the PRC Social Insurance Law, the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) and the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), companies are obliged to provide employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

In accordance with the Regulations on Management of Housing Provident Fund (住房公積金管理條例) which were promulgated and came into effect on April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to the housing provident funds. The employers shall process housing provident fund payment and deposit registrations with the housing provident fund administration centre. The employers shall timely pay up and deposit housing provident fund contribution in full amount. Any employer who violates the above regulations shall be fined and ordered to make good the deficit within a specified period. Those who fail to process their registrations within the specified period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach these regulations and fail to pay up housing provident contributions in full amount as due, the housing provident fund administration centre shall order such companies to pay up within a specified period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply with such regulations after the expiry of such period.

## HISTORY, DEVELOPMENT AND REORGANIZATION

### CORPORATE HISTORY AND DEVELOPMENT

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on January 25, 2017, and it has become the holding company of our Group pursuant to the Reorganization. For details of the Reorganization, see “— Our Group’s Reorganization.”

Before the incorporation of Langfang Wantong, which is our sole operating subsidiary in China during the Track Record Period, Wan Tong Yuan was an operating asset of Langfang Vast Industrial Group Co., Ltd. (“**Vast Group**,” 廊坊市宏泰實業集團有限公司, a company with limited liability established in China and controlled by Mr. Wang). In November 2007, when Langfang Wantong was incorporated, Vast Group transferred the land on which Wan Tong Yuan was operated to Langfang Wantong as its payment of 70% registered capital in Langfang Wantong and the remaining 30% registered capital was contributed by two joint venture partners in cash.

#### Our major business milestones

Our major business milestones since the establishment of Langfang Wantong, which provides burial services in Langfang, up to the Latest Practicable Date are set out below:

Time	Events
November 2007	<ul style="list-style-type: none"><li>Langfang Wantong, our primary operating subsidiary, was established in Langfang.</li></ul>
July 2014	<ul style="list-style-type: none"><li>Langfang Wantong received the award of Outstanding Cemetery Unit (優秀公墓單位) from the Bureau of Civil Affairs of Langfang (廊坊市民政局).</li></ul>
January 2017	<ul style="list-style-type: none"><li>Our Company was incorporated in the Cayman Islands.</li></ul>
February 2017	<ul style="list-style-type: none"><li>Langfang Wantong obtained the title of the Secretary-General Unit (秘書長單位) of the Youth Working Committee of the China Funeral Association (中國殯葬協會青年工作委員會).</li></ul>
March 2017	<ul style="list-style-type: none"><li>Langfang Wantong became an indirect wholly-owned subsidiary of our Company through the Reorganization.</li></ul>
March 2017	<ul style="list-style-type: none"><li>Wantong Funeral Services was established by Langfang Wantong.</li></ul>

## HISTORY, DEVELOPMENT AND REORGANIZATION

### Our corporate developments

Langfang Wantong was established in China on November 26, 2007, the registered capital of which was held by Mr. Wang (the husband of Ms. Zhao), Mr. Chen Fengguo (“**Mr. Chen**”) and Vast Group as to 29.1%, 0.9% and 70%, respectively. Mr. Chen is an independent third party to our Group.

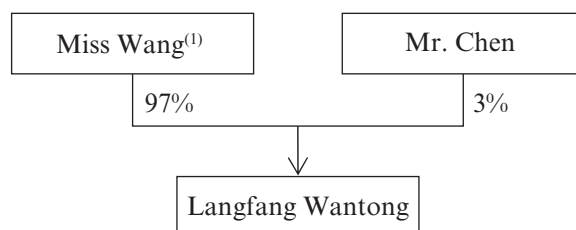
On November 27, 2007, Vast Group transferred 67.9% and 2.1% of the registered capital in Langfang Wantong to Mr. Wang and Mr. Chen at a consideration of RMB21.73 million and RMB0.67 million, respectively. Immediately after the completion of such transfer, the registered capital of Langfang Wantong was held by Mr. Wang and Mr. Chen as to 97% and 3%, respectively.

As a family arrangement among Mr. Wang, Ms. Zhao and their daughter Miss Wang, Mr. Wang transferred 97% registered capital in Langfang Wantong to Miss Wang at a consideration of RMB31.04 million; and in the meanwhile, Ms. Zhao and Miss Wang entered into a trust agreement on December 23, 2010, pursuant to which Miss Wang held the 97% registered capital in Langfang Wantong on trust and for the benefit of her mother, Ms. Zhao. Immediately after the completion of such arrangement, the registered capital of Langfang Wantong was held by Miss Wang (as a nominee of Ms. Zhao) and Mr. Chen as to 97% and 3%, respectively. Since December 24, 2010, Ms. Zhao has been the Controlling Shareholder of our Group.

On March 14, 2017, as part of the Reorganization, the entire registered capital of Langfang Wantong was acquired by Wantongyuan Management from Miss Wang (as a nominee of Mr. Zhao) and Mr. Chen, upon which Langfang Wantong became an indirect wholly-owned subsidiary of our Company. For further details, see “— Our Group’s Reorganization — (6) Acquisition of Langfang Wantong by Wantongyuan Management.”

### OUR GROUP’S REORGANIZATION

The shareholding and corporate structure of our Group immediately before the Reorganization is set out as follows:



(1) Miss Wang held 97% of the registered capital of Langfang Wantong on trust and for the benefit of Ms. Zhao.

## HISTORY, DEVELOPMENT AND REORGANIZATION

To prepare for the [REDACTED], our Group underwent the Reorganization which involved the following major steps:

**(1) Incorporation of Tai Shing International by Ms. Zhao**

On February 1, 2017, Tai Shing International was incorporated in the BVI with limited liability and was authorized to issue a maximum of 50,000 shares of a single class each with a par value of US\$1, of which one ordinary share was allotted and issued to Ms. Zhao for cash at par.

**(2) Acquisition of our Company**

On February 1, 2017, Tai Shing International acquired one share of our Company from TMF Nominees Limited in consideration of US\$0.01. On the same date, our Company issued and allotted an additional 9,999 ordinary shares, credited as fully paid to Tai Shing International at par. Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on January 25, 2017. At the time of incorporation, our Company had an authorized share capital of US\$500 divided into 50,000 shares of a par value of US\$0.01 each, of which one ordinary share was allotted and issued to TMF Nominees Limited for cash at par.

**(3) Incorporation of Shing Sheng International by our Company**

On January 27, 2017, Shing Sheng International was incorporated in the BVI with limited liability and was authorized to issue a maximum of 50,000 shares of a single class each with a par value of US\$1, of which one ordinary share was allotted and issued to our Company for cash at par.

**(4) Acquisition of Wan Tong (HK) by Shing Sheng International**

On February 2, 2017, Shing Sheng International acquired one share of Wan Tong (HK) from Ms. Zhao in consideration of HK\$1. Wan Tong (HK) was incorporated in Hong Kong on January 18, 2017 with limited liability and had an issued share capital of HK\$1, of which one share was allotted and issued to Victon Services Limited for cash on the same date and further transferred to Ms. Zhao on January 25, 2017 in consideration of HK\$1.

**(5) Incorporation of Wantongyuan Management by Wan Tong (HK)**

On March 2, 2017, Wan Tong (HK) subscribed all of the registered capital of Wantongyuan Management, which was established in Langfang with limited liability and a registered capital of US\$10 million on the same date.

## HISTORY, DEVELOPMENT AND REORGANIZATION

### **(6) Acquisition of Langfang Wantong by Wantongyuan Management**

On March 14, 2017, Wantongyuan Management acquired all of the registered capital of Langfang Wantong in consideration of RMB55,500,000 pursuant to the acquisition agreements between Wantongyuan Management and each of Miss Wang and Mr. Chen, respectively dated March 14, 2017. The consideration was determined with reference to the net asset value of Langfang Wantong as of February 28, 2017 as shown in the unaudited management accounts of Langfang Wantong. The consideration for the acquisition of Mr. Chen's equity interest (RMB1,665,000) was fully settled in cash on March 21, 2017. The consideration for the acquisition of Ms. Wang's equity interest (RMB53,835,000) will be paid on [•], 2017. Upon March 14, 2017, Langfang Wantong became a wholly owned subsidiary of Wantongyuan Management.

### **(7) Establishment of Wantong Funeral Services by Langfang Wantong**

On March 23, 2017, Wantong Funeral Services was established by Langfang Wantong in Langfang, with a registered capital of RMB500,000, all of which is owned by Langfang Wantong. We will operate the planned funeral services through Wantong Funeral Services.

### **(8) Establishment of the Family Trust**

On [•], 2017, Ms. Zhao, as the sole settlor and sole member of the Family Trust's protective committee, established the Family Trust, which is an irrevocable discretionary trust with TMF (Cayman) Ltd. as the trustee for the benefit of Ms. Zhao and her issue. On the same date, Ms. Zhao transferred her entire interests in Tai Shing International to Lily Charm, an entity incorporated in the BVI and held by TMF (Cayman) Ltd. in its capacity as trustee of the Family Trust.

The governing law of the Family Trust is the law of the Cayman Islands, and the provisions of the Family Trust are subject to the law of the Cayman Islands. Under the Family Trust, subject to the terms of the trust deed, the sole settlor, namely Ms. Zhao, has reserved power to:

- (i) make decisions relating to any purchase, sale, exchange or retention of investment vehicles, the equity or debt interests of which are comprised in the trust fund (the "**Underlying Investments**"); and
- (ii) the exercise of any voting rights and other rights attributed to the Underlying Investments and may give written or oral directions to the trustee.

TMF (Cayman) Ltd. acts as the trustee of the Family Trust and has certain powers thereunder, including holding the capital and income of the trust fund in favor of the beneficiaries. Subject to the terms of the trust deed, save in extraordinary circumstances, the trustee shall not be required to interfere in the management or conduct of the business of any Underlying Investments, such as Tai Shing International.

## **HISTORY, DEVELOPMENT AND REORGANIZATION**

In addition, as the sole member of the Family Trust's protective committee, Ms. Zhao may appoint one or more other persons or companies to be a trustee, and may remove any trustee. Subject to the terms of the trust deed:

- (i) certain powers, for example, the power to add, remove or exclude a beneficiary, may only be exercised by the trustee with the consent of Ms. Zhao; and
- (ii) certain powers of the trustee, such as the application of income and capital to beneficiaries, are only exercisable by the trustee once it has given notice to Ms. Zhao.

### **(9) Change in share capital of our Company**

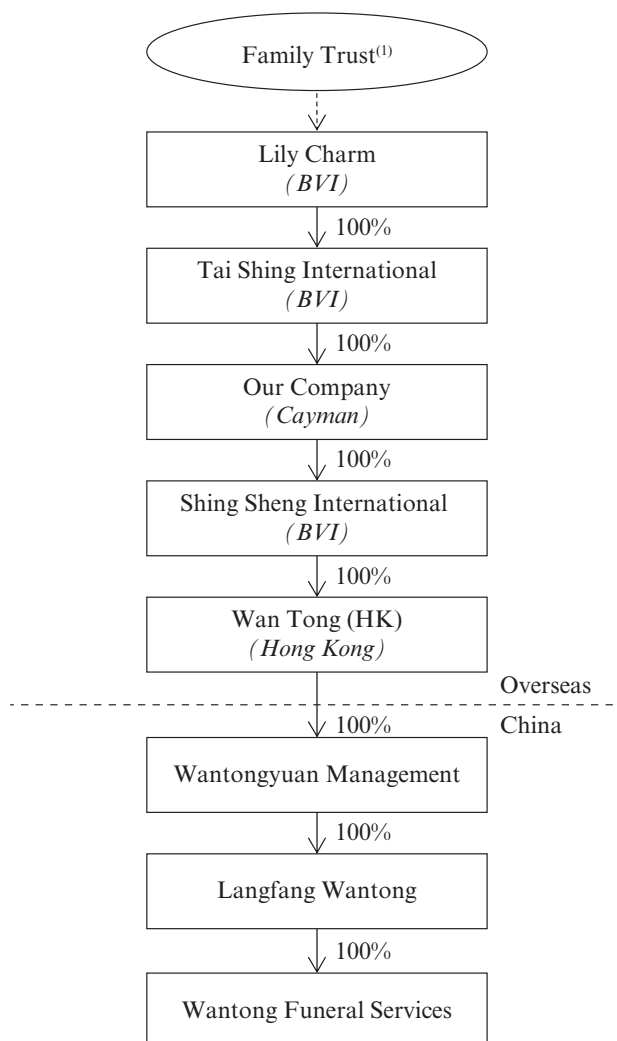
On [ • ], 2017, the authorized share capital of our Company was increased to the aggregate of US\$30,000,000 by the creation of an additional 2,999,950,000 Shares with a par value of US\$0.01 each.

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

## HISTORY, DEVELOPMENT AND REORGANIZATION

### SHAREHOLDING AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganization but prior to the completion of the [REDACTED] and the [REDACTED]:



(1) The Family Trust is an irrevocable discretionary trust established by Ms. Zhao as the sole settlor and sole member of the Family Trust’s protective committee, with TMF (Cayman) Ltd. as the trustee, for the benefit of Ms. Zhao and her issue. See “— Our Group’s Reorganization — (8) Establishment of the Family Trust.”



## HISTORY, DEVELOPMENT AND REORGANIZATION

### PRC GOVERNMENT APPROVALS

#### M&A Rules

On August 8, 2006, the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”) was jointly promulgated by six ministries and commissions, including MOFCOM, CSRC and SAFE, implemented on September 8, 2006 and amended on June 22, 2009 by MOFCOM.

According to Article 2 of the M&A Rules, “**merger and acquisition of domestic enterprises by foreign investors**” referred to in the M&A Rules shall mean that a foreign investor purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise (“**domestic company**”) or subscribes for increased capital of a domestic company so as to convert such domestic company into a foreign-invested enterprise (“**merger and acquisition of equity interest**”); or, a foreign investor establishes a foreign-invested enterprise, through which it purchases and operates the assets of a domestic enterprise by agreement, or, a foreign investor purchases the assets of a domestic enterprise by agreement and then invests such assets to establish a foreign-invested enterprise and operates the assets (“**merger and acquisition of assets**”). According to Article 11 of the M&A Rules, the merger and acquisition of a domestic company with a related party relationship by a domestic company, enterprise or individual in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or individual shall be subject to examination and approval by MOFCOM. The parties involved shall not use domestic investment by foreign invested enterprises or other methods to circumvent the aforesaid requirements.

The WFOE in our Group, namely Wantongyuan Management, was directly established by Wan Tong (HK), which is a company incorporated in Hong Kong. As advised by our PRC legal advisers, Jingtian & Gongcheng, since the mere establishment of this WFOE did not involve any acquisition of equity interest in domestic non-foreign-invested enterprises by foreign investors or any acquisition of assets of domestic enterprises by foreign investors through foreign-invested enterprises as stipulated in Article 2 of the M&A Rules, the Foreign-invested Enterprise Law of the People’s Republic of China (中華人民共和國外資企業法) and the Company Law of the People’s Republic of China (中華人民共和國公司法) shall be applicable in this regard instead of the M&A Rules.

Our PRC legal advisers have further advised us that, the acquisition of 100% equity interest in Langfang Wantong by Wantongyuan Management constituted an acquisition of a domestic company in China by a foreign-invested enterprise, which was subject to the Interim Provisions on Domestic Investment by Foreign-invested Enterprises (關於外商投資企業境內投資的暫行規定) (hereinafter referred to as the “**Re-investment Provisions**”) under Article 52 of the M&A Rules. At the time of such acquisition, as the ultimate controlling shareholder of Wantongyuan Management was a foreign natural person, namely Ms. Zhao, who is a passport holder of Federation of Saint Kitts and Nevis, which was not subject to Article 11 of the M&A Rules, Article 11 of the M&A Rules similarly did not apply to such acquisition.



## **HISTORY, DEVELOPMENT AND REORGANIZATION**

Since Ms. Zhao, who has obtained a passport of Saint Kitts and Nevis, is not considered as a PRC “domestic individual” under the M&A Rules, our PRC legal advisers, Jingtian & Gongcheng, have advised us that the M&A Rules are not applicable to the [REDACTED] and we do not require approval from CSRC for the [REDACTED]. We have complied with applicable PRC laws and regulations and have obtained necessary approvals from and/or registrations with PRC government authorities for the onshore reorganization for the purpose of the [REDACTED].

### **SAFE Circular 37 Registration**

According to the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular 37”) promulgated by the SAFE on July 14, 2014, a PRC citizen residing in the PRC must register with the local branch of SAFE before he contributes assets or equity interests in an overseas special purpose vehicle, which is directly established or controlled by him for the purpose of overseas investment or financing. According to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) which was promulgated on February 13, 2015 and became effective on June 1, 2015, the above mentioned registration under SAFE Circular 37 will be handled directly by the bank.

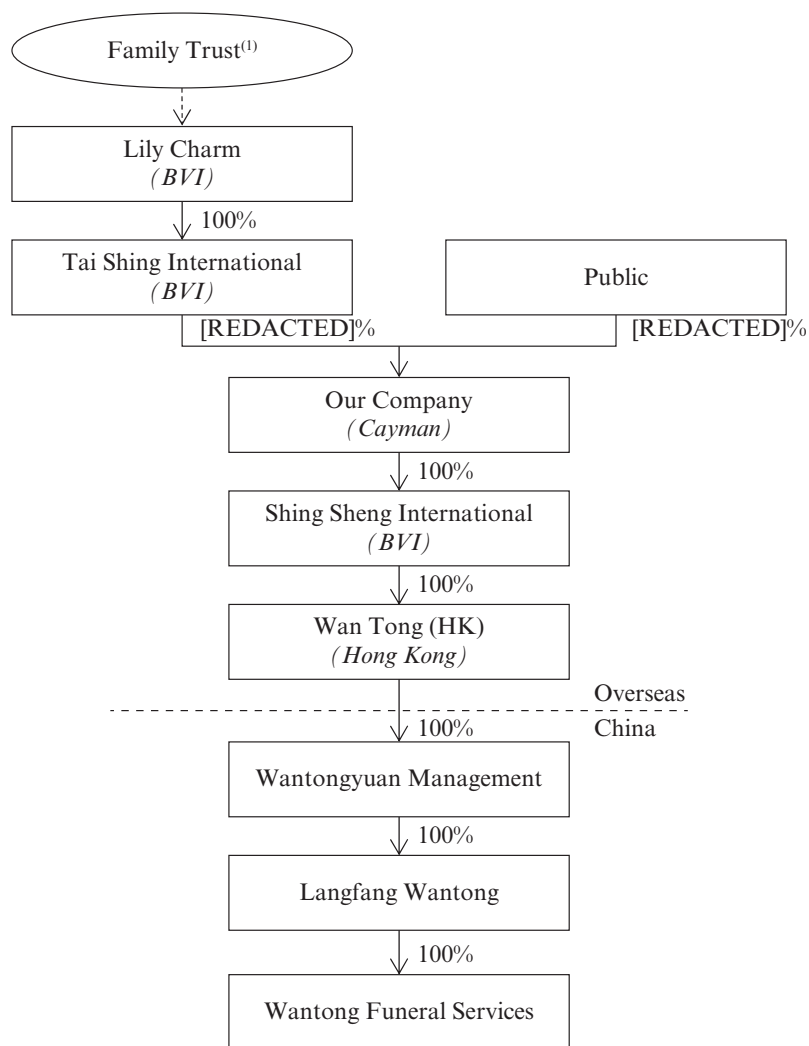
Our PRC legal advisers, Jingtian & Gongcheng, have advised us that our Controlling Shareholder, Ms. Zhao, is not subject to the foreign exchange registration requirements as she has obtained passport from Saint Kitts and Nevis.

### **[REDACTED] AND [REDACTED]**

Subject to the share premium account of our Company being credited as a result of the issue of [REDACTED] pursuant to the [REDACTED], our Directors are, if authorized by a resolution of the Company, authorized to allot and issue a total of [REDACTED] Shares credited as fully paid at par to the holders of shares on the register of members of our Company at the close of business on the date immediately preceding the date on which the [REDACTED] becomes unconditional (or as it/they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of [REDACTED] of the sum of US\$[REDACTED] standing to the credit of the share premium account of our Company and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the [REDACTED]).

**HISTORY, DEVELOPMENT AND REORGANIZATION**

The following chart sets out the shareholding and corporate structure of our Group immediately after the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED]):



(1) The Family Trust is an irrevocable discretionary trust established by Ms. Zhao as the sole settlor and sole member of the Family Trust’s protective committee, with TMF (Cayman) Ltd. as the trustee, for the benefit of Ms. Zhao and her issue. See “— Our Group’s Reorganization — (8) Establishment of the Family Trust.”

## BUSINESS

### OVERVIEW

We are a premium burial services provider in Langfang, Hebei province, China, with approximately 9.3% of the local burial services market in terms of revenue in 2016, according to the F&S Report. We seek to distinguish our burial services through comprehensive offerings of burial plot designs and pricing choices, which we believe enables us to meet diversified customer requirements in terms of preferences and budgets. We believe that the combination of our comprehensive offerings of burial services and our beautifully landscaped cemetery has allowed us to serve a diversified customer base and command a price premium for certain burial services we offer.

We operate our cemetery in Langfang under the brand “萬桐園 (Wan Tong Yuan),” derived from “萬古長青，鳳棲梧桐 (garden with phoenixes perching on everlasting plane trees),” which symbolizes a treasured land that preserves the spirits of the departed. Our cemetery resembles a park beautifully designed with flowerbeds, lawns, ponds, groves and modern architectures to provide comfort and tranquility for our visitors. The developed area of our cemetery consists of 20 sectioned burial areas designated for traditional and artistic burial plots of different orientation and prices, interconnected by electrical cars for the convenience of our visitors. Our cemetery has a total site area of approximately 166,569 sq.m., approximately 133,825 sq.m. of which remained available for future sale and development as of December 31, 2016. We extend and increase the number of burial plots in our cemetery in phases based on customer demand. At the same time, we strive to ensure that our cemetery continues to be in harmony with natural surroundings and remains a lush and well-planned park.

We provide a range of burial services, including traditional and artistic burial services. Our traditional burial services involve the use of burial plots with uniform or limited designs and landscaping and standardized pre-fabricated headstones within the same sectioned burial area. Our artistic burial services involve the use of uniquely designed headstones and also allow for varying degrees of customization. We engage our suppliers to design, construct and landscape the burial plots and engrave inscriptions and ceramic photographs on the headstones to meet specific customer requirements. We also provide a range of interment rituals and allow our customers to personalize the rituals by selecting optional value-added services, such as cremains transportation (抬靈) and gun salutes (禮炮).

We attract customers locally and from surrounding areas and neighboring cities through word-of-mouth referrals and marketing efforts. We cooperate with a network of funeral service providers in Langfang which refer customers to us. We have also been seeking cooperation with Beijing-based funeral service providers, mortuaries and funeral parlors to expand our customer base. As our cemetery is strategically located in Langfang, approximately 40 kilometers and 60 kilometers from downtown Beijing and Tianjin, respectively, we believe we offer a sought-after burial site for local residents as well as customers from neighboring cities. Supported by the increasing level of urbanization and China’s recent initiative to build an economic mega-region covering Beijing (Jing), Tianjin (Jin) and Hebei province (Ji) with integrated infrastructure of transportation and industries, we benefit from the faster movement of people and the closer ties with regional hubs.

## BUSINESS

According to the F&S Report, there is a growing demand among residents in Beijing and Tianjin for affordable burial sites, which have become increasingly sparse locally, and our cemetery represents an attractive solution to address such unmet need cost-effectively. During the Track Record Period, we served 88 customers from outside Langfang, accounting for approximately 6.4% of our total customers. We expect to further expand our customer base and explore suitable acquisition targets within the Jing-Jin-Ji megalopolis for business expansion as the integration of the Jing-Jin-Ji megalopolis deepens.

We believe our brand “Wan Tong Yuan” is recognized as a premium burial services provider by the local residents because it exemplifies our professionalism and commitment to social responsibility. We provide on-the-job training to our employees, with a focus on cultivating virtuous moral characters suited to attending customers under emotional stress with professionalism and delicacy. We are also committed to serving our community. We have a burial area designated for war veterans and other distinguished public figures, including General SUN Yi (孫毅將軍), and receive organized visits from school groups and government employees to honor the war veterans for educational purposes. We received the award of Outstanding Cemetery Unit (優秀公墓單位) from the Bureau of Civil Affairs of Langfang (廊坊市民政局) in July 2014 and obtained the title of the Secretary-General Unit (秘書長單位) of the Youth Working Committee of the China Funeral Association (中國殯葬協會青年工作委員會) in February 2017.

We have grown substantially since our inception in 2007. Our revenue for 2015 and 2016 was RMB24.4 million and RMB31.2 million, respectively, representing a year-on-year growth rate of 27.7%. Our net profit for 2015 and 2016 was RMB14.3 million and RMB16.2 million, respectively, representing a net profit margin of 58.7% and 51.9%, respectively, for the same years.

### COMPETITIVE STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors.

#### **Premium burial services provider strategically located in Langfang**

We are a premium burial services provider in Langfang, with approximately 9.3% of the local burial services market in terms of revenue in 2016, according to the F&S Report. Benefiting from the regional economic growth, we have grown substantially since our inception in 2007. Our revenue for 2015 and 2016 was RMB24.4 million and RMB31.2 million, respectively, representing a year-on-year growth rate of 27.7%.

According to the F&S Report, Langfang, one of the fast-growing cities in Hebei province, has experienced a relatively stronger growth in its economy and burial services market, compared with the general situations in Hebei province. The per capita nominal GDP and the market size of the burial services industry in Langfang grew at a CAGR of approximately 8.5% and 13.3% from 2011 to 2016, compared to that of Hebei province in general of approximately 4.8% and 16.4%. For further information, see “Industry Overview.” Conveniently located in Langfang, our cemetery is approximately 40

## **BUSINESS**

kilometers and 60 kilometers from downtown Beijing and Tianjin, respectively, offering a sought-after burial site for local residents as well as customers from surrounding areas and neighboring cities. Supported by the increasing level of urbanization and China's recent initiative to build a Jing-Jin-Ji megalopolis, we benefit from the faster movement of people and the closer ties with regional hubs. According to the F&S Report, the per capital spending on death care services in Langfang is approximately 43.8% and 33.5% lower than that in Beijing and Tianjin in 2016, respectively, and there is a growing demand among residents in Beijing and Tianjin for affordable burial sites, which have become increasingly sparse locally. Our cemetery represents an attractive solution to address such unmet need cost-effectively. During the Track Record Period, we served 88 customers from outside Langfang, accounting for approximately 6.4% of our total customers. We expect to further broaden our customer base and explore suitable acquisition targets within the Jing-Jin-Ji megalopolis for business expansion as the integration of the Jing-Jin-Ji megalopolis deepens.

Through our longstanding presence in Langfang, we believe that we have accumulated valuable knowledge about the local customs and preferences in terms of burial practices. Leveraging our experience, local knowledge and market reputation, and supported by the available land parcels within our cemetery and the broadened customer base, we believe we are able to continue to grow our business by making additional burial plots based on customer demand. Subject to strict regulatory restrictions and government zoning policies, the provision of burial services may encounter significant entry barriers, and therefore, we believe our well-established operations represent a considerable first-mover advantage over potential competitors seeking to penetrate the burial services market in Langfang and the Jing-Jin-Ji megalopolis at large.

### **Comprehensive burial services to satisfy diversified customer needs**

We believe that we derive our success from comprehensive offerings of burial services, which attract customers across a range of preferences and budgets. Our customers may choose from standardized burial plot design and construction to more lavish services involving unique or bespoke designs of landscaping and headstones.

The developed area of our cemetery consists of 20 designated burial areas for traditional and artistic burial plots, including 18 sections that host traditional burial plots with uniform or limited designs and landscaping within the same sectioned burial area and two sections that host artistic burial plots with unique or expensive designs and construction materials, including bespoke designs, where our customers are able to decide on, among others, the location, size, and design and layout of the burial plot, and the types and styles of headstones and decorative items to be used.

We provide a range of interment rituals as requested by customers. We allow our customers to personalize the rituals by selecting optional value-added services. For example, we offer transportation of cremains with hand carrying by our employees in ceremonial uniforms and gun salutes with specified numbers of shots per customer requests to pay respect to the deceased at the interment. The members of our service team, including

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two professional funeral masters, have received specialized professional training in burial services and understand how to address delicately the needs of customers under emotional stress.

We believe that our comprehensive service offerings differentiate us from competitors and enable us to enjoy pricing premiums for certain burial services we offer. We believe that, compared with certain state-owned competitors who offer only basic burial services with limited scope for unique designs or customization, we offer diversified burial services to customers of different preferences and budgets and attract local customers who are willing to pay a price premium for unique designs or customization and customers from neighboring cities where affordable burial sites have come increasingly sparse.

### **Recognized brand associated with professionalism and commitment to social responsibility**

We operate our cemetery under the brand “萬桐園 (Wan Tong Yuan)” and cooperate with a network of third-party funeral services providers in Langfang which refer customers to us. We believe our brand is recognized by local residents as a premium burial services provider in Langfang because it exemplifies our professionalism and commitment to social responsibility.

We strive to provide professional burial services to our customers. To this end, we provide on-the-job training to all of our employees, with a strong focus on cultivating the moral character. We believe that employees with sufficient industry experience and a virtuous character are better suited to attending customers in emotional stress with professionalism and delicacy. We also keep abreast of market changes and customer demand from our daily operations.

As it has been a well-established tradition in China to honor and show respect for the deceased, in rendering our services, we are guided by Chinese cultural values of filial piety, familial devotion and ancestral respect. We tailor our services to conform to the wishes of the deceased or the preferences of the family of the deceased and accommodate various forms of “tomb-sweeping” activities to help our customers commemorate the deceased and maintain family bonds. In addition, we have a burial area designated for war veterans and other distinguished public figures, including General SUN Yi, and receive organized visits from school groups and government employees to honor the war veterans for educational purposes.

Our commitment to social responsibility is also exemplified by assisting the deceased and their families in need on an ad-hoc basis. In the past, we offered discounted burial services to certain public servants, such as war veterans, or elderly persons in need. We also seek to conserve the environment by promoting environmentally-friendly and space-saving burial services and commemoration rituals, such as green “tomb-sweeping” activities with presentation of bouquets, colored ribbons and wish cards to replace the burning of incense, candles or joss paper.



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As an affirmation to our professionalism and commitment to social responsibility, we received the award of Outstanding Cemetery Unit (優秀公墓單位) from the Bureau of Civil Affairs of Langfang (廊坊市民政局) in July 2014 and obtained the title of the Secretary-General Unit (秘書長單位) of the Youth Working Committee of the China Funeral Association (中國殯葬協會青年工作委員會) in February 2017.

### **Committed, experienced and stable management team**

We are under the leadership of a committed, experienced and stable management team. Ms. LI Xingying, our executive Director, with more than 15 years of experience in burial services industry, has been with us since our inception. Ms. Li has been the driving force of our development and is primarily responsible for formulating the overall operation of our Group. Mr. YU Minghua, our chief executive officer, served previously as the deputy general manager of certain other death care service providers, and is primarily responsible for product development and business expansion of our Group. Mr. Yu is a vice secretary-general (副秘書長) of the Youth Working Committee of the China Funeral Association (中國殯葬協會青年工作委員會). Some of our senior management team members have served more than nine years in our Group. For further biographical information about our Executive Director and members of our senior management team, see “Directors and Senior Management.”

We believe that our committed, experienced and stable management team enables us to form a vision of long-term development, closely track the market trends and customer preferences with industry insights to adjust our business strategies and execute our business initiatives on a consistent basis.

### **BUSINESS STRATEGIES**

We aspire to strengthen our market position in Langfang and expand our business in the Jing-Jin-Ji megalopolis and beyond through the following strategies.

#### **Strengthen our market position in Langfang**

We plan to strengthen our market position in Langfang by further developing the undeveloped area within our cemetery, upgrading our facilities, diversifying our burial-related services, and enhancing our marketing efforts.

- *Further develop the undeveloped area.* We plan to develop the undeveloped area within our cemetery into additional sectioned burial areas in phases as we gradually populate our existing burial areas. In particular, we plan to begin developing a “Rose” Garden in the fourth quarter of 2017 and a “Langfang” Garden in the first half of 2019. For details, see “— Our Cemetery.”
- *Upgrade our facilities.* We believe that well-maintained facilities are essential to ensuring customer satisfaction and promoting our brand name. We have staff members maintaining our facilities to ensure they remain clean and functional at

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all times. We also seek to upgrade our facilities to keep up with the evolving market and customer demands. For example, we plan to install an environmentally-friendly incinerator for burning joss paper and other offerings.

- *Diversify our burial-related services.* We seek to keep abreast with evolving market and customer demands through continuous expansion of our service offerings. For example, we recently began to offer crypt-style burial grounds, which involve small stone chambers built halfway beneath the ground to host several urns placed in close proximity inside. We offer this new service to cater for the customer demand for family graves and also to conserve land resources. Motivated by our commitment to social responsibility, we also plan to introduce environmentally-friendly burial services, such as burials under trees or flowerbeds, and new after-burial services, such as virtual tomb-sweeping conducted through designated websites.
- *Enhance our marketing efforts.* We believe word-of-mouth referrals will continue to be a highly effective marketing channel for burial services. We will continue to leverage our existing cooperation relationship with third-party funeral services providers in Langfang for referrals. In addition, we will continue to conduct mass marketing and advertising campaigns through local newspapers, television, and the Internet to reach prospective customers and promote our brand awareness locally.

### **Expand our business scope to provide vertically-integrated death care services**

We generated substantially all of our revenues from burial services during the Track Record Period. We have forged stable business relationship with a number of local funeral services providers which refer customers to us. We have also maintained collaboration with the local government-operated crematoria and set up advertising boards on their premises. We believe, however, that one-stop-shop services that integrate funeral and burial services are able to confer a significant competitive advantage, as bereaved families generally prefer dealing with fewer service providers to ensure a seamless and smooth experience at each stage of the process.

To this end, we have recently established a subsidiary in Langfang, Wantong Funeral Services, to operate our funeral services under contemplation and seek to lease the premises for our funeral service center. According to the F&S Report, there are a large number of funeral services providers in Langfang, most of which are small, family-run businesses that lack consistent service standards or charge unreasonable service fees. Leveraging our brand name, customer base and experience in the burial services industry, we believe we will be able to overhaul the local funeral services market with a flagship funeral service center that prevails with economies of scale, professionalism and reasonable pricing. At the same time, we believe we will be able to benefit from an additional marketing avenue.



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

Leveraging our strategic location in Langfang and proximity to regional hubs in the Jing-Jin-Ji megalopolis, we plan to tap further into the burial services market in this region, especially in Beijing, where affordable burial sites have become increasingly sparse and local residents become increasingly mobile with the construction of a web of high-speed intercity transportation infrastructure. We have begun both on-site and online advertising targeted at Beijing residents and have been seeking cooperation with Beijing-based funeral service providers, mortuaries and funeral parlors. We plan to devote more marketing resources to serving the neighboring cities and develop further cooperation with local funeral service providers as our business partners. We target to set up one funeral service shop in each of 2018 and 2019 in Beijing to promote our burial services locally. In addition, we expect to have four, eight and 14 partnered funeral service providers, mortuaries and funeral parlors in Beijing and Tianjin in 2017, 2018 and 2019, respectively.

**Pursue strategic alliance and acquisition opportunities**

We have built our business so far primarily through organic growth. Going forward, we intend to selectively acquire, invest in or enter into strategic partnerships with other death care services providers, including funeral service providers and cemetery operators. We base our selection criteria on, among other things, brand name, location, land cost, land reserves and profitability. We generally favor cemeteries located in wealthy and densely populated provinces, where there is a higher demand for premium death care services. In particular, we seek to prioritize business expansion opportunities with death care services providers in the Jing-Jin-Ji megalopolis and bring synergy to our current operations. The following table illustrates the growth of the per capita spending on death care services in the cities indicated from 2017 to 2021:

	<b>Langfang</b>	<b>Beijing</b>	<b>Tianjin</b>	<b>Hebei province</b>
Per capita spending in 2016 <i>RMB'000</i>	18.1	32.2	27.2	15.2
2017–2021 CAGR	9.2%	8.0%	8.0%	8.9%

*Source: F&S Report*

We plan to continue to explore and search suitable sites and acquisition targets in the Jing-Jin-Ji megalopolis for expansion opportunities and conduct in-depth research on the local regulatory requirements, economic conditions and market landscape before implementing our expansion plans. As of the Latest Practicable Date, we had not yet identified any suitable sites or acquisition targets.

For details of the implementation plans for each strategy, see “Future Plans and Use of Proceeds.”

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**OUR SERVICES**

We operate our cemetery under the brand “萬桐園 (Wan Tong Yuan),” derived from “萬古長青, 鳳棲梧桐 (garden with phoenixes perching on everlasting plane trees),” which symbolizes a treasured land that preserves the spirits of the departed. Our cemetery is located on the outskirts of Langfang, Hebei province, China, which is a strategic location between Beijing and Tianjin. See “— Our Cemetery” below.

At our cemetery, we provide a range of burial services, including traditional and artistic burial services. Our traditional burial services involve the use of burial plots with uniform or limited designs and landscaping and standardized pre-fabricated headstones with the same sectioned burial area. Our artistic burial services involve the use of uniquely designed headstones and also allow for varying degrees of customization in terms of material and design of headstone, layout of burial plot, and decorative items, among others. We engage our suppliers to design, construct and landscape the burial plots and engrave inscriptions and ceramic photographs on the headstones to meet specific customer requirements. We also provide a range of interment rituals and allow our customers to personalize the rituals by selecting value-added services, such as cremains transportation (抬靈) and gun salutes (禮炮).

We also provide ongoing cemetery maintenance services as an integral part of our burial services to maintain our beautifully landscaped cemetery.

The following table illustrates a breakdown of our revenue during the Track Record Period:

	<b>Year ended December 31,</b>			
	<b>2015</b>		<b>2016</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Burial services				
— Sale of burial plots	20,454	83.8%	25,994	83.4%
— Ancillary services	<u>1,425</u>	<u>5.8%</u>	<u>2,537</u>	<u>8.1%</u>
Subtotal	21,879	89.6%	28,531	91.5%
Cemetery maintenance	<u>2,530</u>	<u>10.4%</u>	<u>2,648</u>	<u>8.5%</u>
Total	<u><u>24,409</u></u>	<u><u>100.0%</u></u>	<u><u>31,179</u></u>	<u><u>100.0%</u></u>

**Burial services**

Our burial services consist primarily of (1) the sale of burial plots, which includes the right to use the burial plots, and headstones and other ancillary products to be used on the burial plots, and (2) ancillary services such as the organization and conducting of interment rituals, the design, construction and landscaping of the burial plots, and the engraving of inscriptions and ceramic photographs on the headstones. We divide our burial services broadly into traditional and artistic depending on the type of burial plots used.

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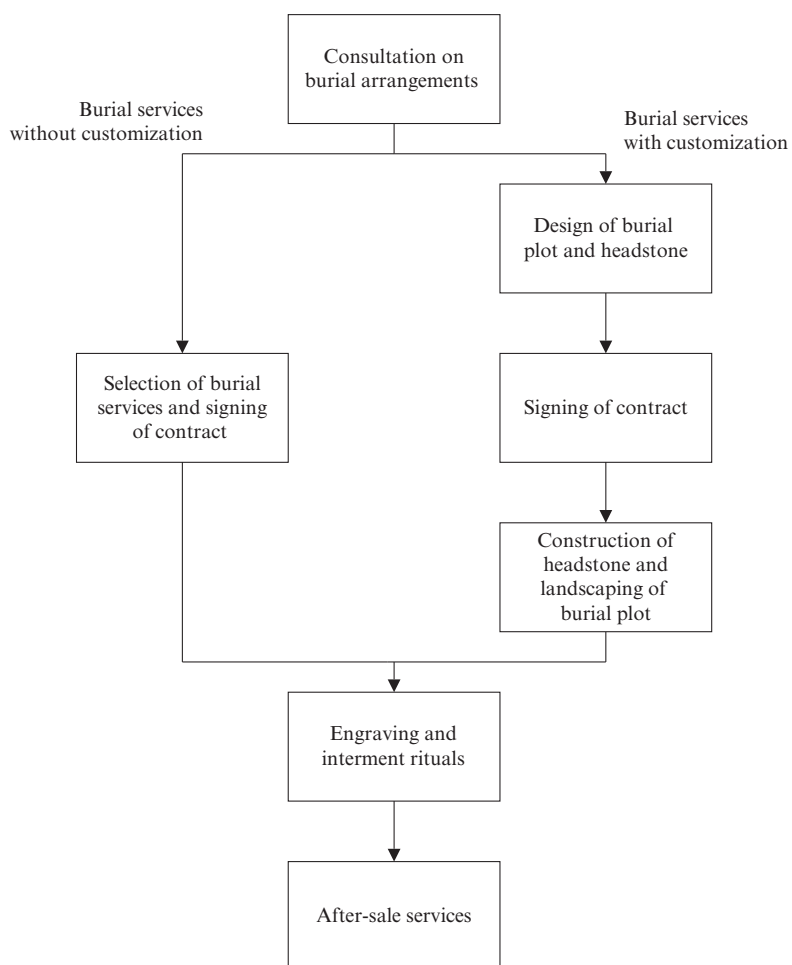
The following table sets forth a breakdown of our revenue generated from the sale of burial plots during the Track Record Period:

	Year ended December 31,			
	2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Traditional	18,175	88.9%	24,187	93.0%
Artistic <sup>(1)</sup>	2,279	11.1%	1,807	7.0%
<b>Total</b>	<b>20,454</b>	<b>100.0%</b>	<b>25,994</b>	<b>100.0%</b>

<sup>(1)</sup> Includes burial plots of unique and bespoke designs.

***Service process***

The following diagram illustrates the major steps involved in the provision of our services:



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- *Consultation on burial arrangements.* We introduce our service offerings to prospective customers based on our consultation with them about their requirements and recommend specific service types and tailor-making suggestions. We provide guided site visits to familiarize prospective customers with the layout of our cemetery and the selection of burial plots available.
- *Selection of burial services and signing of contract (burial services without customization).* Customers generally select a particular burial service by signing a sales contract and making full payment of the service fees at the same time. If a prospective customer is unable to make the full payment on the spot, we allow them to pay a small deposit to reserve a particular burial spot for up to 10 days before making payment of the balance and signing the sales contract.
- *Design of burial plot and headstone (burial services with customization).* We assist customers for customized burial services in designing the headstones and the landscape of the burial plots before signing a sales contract. Customers for traditional burial services select standardized headstones and burial plot designs off the shelf.
- *Construction of headstone and landscaping of burial plot (burial services with customization).* We commence construction upon receipt of customer confirmation. We engage our suppliers to customize the headstones and the landscape of the burial plots in accordance with the styles and designs chosen by our customers. Customers will then inspect the finished burial plot with the installed headstone before confirming receipt of the burial plot. Depending on the style and degree of customization of the headstone and the burial plot, it may take up to 45 days to fully complete the construction.
- *Engraving and interment rituals.* Customers will select and inform us of the specifics of engravings, the burial dates and rituals, and separately pay for the chosen engravings and rituals. We engage our supplier to engrave the inscriptions and ceramic photographs on the headstones. We then orchestrate and perform the interment rituals and may assist customers with logistic matters. We typically arrange interment rituals within the period as required upon customer confirmation.
- *After-burial services.* We periodically examine the headstones and repair the headstones when required. We also offer certain other after-burial services, such as organizing tomb-sweeping activities and providing flowers and offerings.

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### *Service terms*

We generally enter into standardized sales contracts with our customers. Set forth below are certain key aspects of our sales contracts.

- *Term.* Our customers have the right to use the burial plots for 20 years upon the payment of the sales price and maintenance fee. When selling the right to use the burial plots in our cemetery, we provide custody service by safekeeping the occupied burial plots for 20 years, and our customers obtain the right to use the burial plots for the corresponding period of time. Our customers may relinquish the right to use the burial plots at any time by removing the cremains without refund.
- *Price.* The sales price includes (1) the right to use the burial plots and the associated headstones and other ancillary products and (2) burial plot maintenance. See “— Pricing” below for the factors we consider in determining the sales price. We also charge an upfront maintenance fee in accordance with the sales contracts for cemetery management for 20 years, which typically is no higher than 30% of the sales price of the burial plots.
- *Maintenance.* We are obligated to keep the burial plots in good repair for no additional charges within the first three years after the signing of the sales contract. We charge additional fees for repairs made at the request of our customers beginning in the fourth year after the signing of the sales contract. We coordinate our suppliers for repairs to burial plots and headstones. See “— Quality Controls” below.
- *Renewal and retrieval.* Customers may not transfer but may renew their right to use the burial plots when the sales contracts expire by paying a renewal fee. We expect the renewed sales price to be determined based upon, among others, the prevailing market rates and the costs to be incurred by us, and the renewed maintenance fee to remain a percentage of the renewed sales price. Customers may also retrieve the cremains when the contracts expire if they do not wish to renew the sales contracts. Although we have the right to deal with the cremains in our discretion, if customers fail to renew the contracts when expired, we intend to follow the practice stipulated by the competent government authorities and notify the next of kin of the deceased to allow them to renew the sales contract over the same burial plots if they choose to. None of our sales contracts had expired as of the Latest Practicable Date. While we have not recycled the use of any burial plots, we intend to recycle burial plots that become available for use and disclose the history of such burial plots to prospective customers.
- *Return.* Consistent with the local industry practice, we tightened our sales policy in December 2016 by adopting a new standardized sales contract. Under the new contract, no return of burial plot is permitted and the right to use the burial plot is transferred when the contract is signed, while under the former contract, return of burial plot is generally permitted within the first three years after the contract is signed if no interment of cremains occurs, and the right to use the burial plot is

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transferred to the customer when the interment of cremains occurs. In the case of a return, we have the right to charge 10% of the sales price as handling fees and refund the balance of the sales price. As an interim measure, we entered into supplemental agreements with certain existing customers to clarify that no return would be permitted prospectively. During the Track Record Period, we experienced six incidents of return and three incidents of exchange under our former sales contracts and did not recognize revenue from the returned burial plots other than the handling fees. None of the incidents of return or exchange was due to quality defects.

We separately charge fees for interment rituals and headstone engravings in accordance with service orders customers place to notify us the type of rituals they choose and the engraving specifics. We typically charge extra fees for additional props and offerings that we utilize in the rituals and optional value-added services, such as cremains transportation and gun salutes.

### *Service range*

We divide our burial services broadly into traditional and artistic burial services.

#### *Traditional burial services*

Our traditional burial services involve the use of burial plots with uniform or limited designs and landscaping and the use of standardized pre-fabricated headstones within each predetermined sectioned burial area. We currently have 18 sectioned burial areas designated for traditional burial plots.

The following table sets forth certain information about the sale of burial plots used in the traditional burial services for the periods indicated:

	2015	2016
No. of units transferred <sup>(1)</sup>	659	776
Average selling price ( <i>RMB/unit</i> )	27,580	31,168
Revenue ( <i>RMB'000</i> )	18,175	24,187

<sup>(1)</sup> We recognize revenue from the sale of burial plots when the right to use the burial plots is transferred to the customers.

Our traditional burial services encompass a wide range of burial plot designs across burial areas and pricing choices. The burial plots used in our traditional burial services vary in the following key aspects.

- *Location.* Burial areas in the center of the cemetery or adjacent to the main inner road are generally preferred by our customers.
- *Size.* We offer burial plots in various sizes. Larger burial plots are generally accompanied by more exquisite headstone designs.

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- *Headstone materials.* We offer headstones carved from materials that differ in colors or a combination of colors, textures or patterns.
- *Headstone designs.* We offer headstones ranging from the plainest types to exquisite designs adorned with elaborate decorative items, which generally require more labor and skills from sculptors.
- *Surroundings.* Our sectioned burial areas and the burial plots are interspersed with flowerbeds, lawn and groves. Certain sectioned burial areas and burial plots blend beautifully with the surrounding landscape and scenery.

The following images illustrate examples of the burial plots used for our traditional burial services:

This burial plot features a headstone of a plain design and is offered for a relatively modest price.



This burial plot features a headstone of a more exquisite design and is offered for a higher price.



This burial plot features a headstone of the most exquisite design and is offered for the highest price among the three.





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*Artistic burial services*

Our artistic burial services involve the use of uniquely designed headstones and also allow for varying degrees of customization. For uniquely designed burial plots, our customers may select from a wide range of pre-fabricated headstones with designs that are one of a kind within a sectioned burial area. For bespoke burial plots, we engage our supplier to design and landscape the burial plots to meet specific customer requirements. Our customers are able to decide on, among others, the location, size, and design and layout of the burial plot, and the types and styles of headstones and decorative items to be used. We currently have two sectioned burial areas designated for artistic burial services.

The following table sets forth certain information about the sale of burial plots used in the artistic burial services for the periods indicated:

	<b>2015</b>	<b>2016</b>
No. of units transferred <sup>(1)</sup>	21	14
Average selling price ( <i>RMB/unit</i> )	108,523	129,071
Revenue ( <i>RMB'000</i> )	2,279	1,807

<sup>(1)</sup> We recognize revenue from the sale of burial plots when the right to use the burial plots is transferred to the customers.

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The following images illustrate examples of the burial plots used for our artistic burial services:

This burial area is populated with burial plots with uniquely designed headstones.



This burial plot features a headstone of a bespoke design of two cuddling hearts for the deceased husband.



We continue to refine our services and develop new service types. For example, we recently began to offer crypt-style burial grounds, which involve small stone chambers built halfway beneath the ground to host several urns placed in close proximity inside these chambers. We offer this new service to cater for the customer demand for family graves and also to conserve land resources. We did not sell any crypt-style burial grounds during the Track Record Period.

The following image illustrates an example of our crypt-style burial grounds:

The entrance to the stone chamber is removable, through which several urns can be placed inside.



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### ***Interment rituals and ceremonies***

We perform interment rituals and ceremonies before cremains are buried in our burial plots. We differentiate the rituals by the types and numbers of props and offerings we utilize during the rituals and allow our customers to personalize the rituals by selecting optional value-added services. For example, we offer transportation of cremains with hand carrying by our employees in ceremonial uniforms and gun salutes with specified numbers of shots per customer requests to pay respect to the deceased at the interment. We have two professional funeral masters to perform the interment rituals.

### **Cemetery maintenance services**

We provide ongoing cemetery maintenance services as an integral part of our burial services to maintain our beautifully landscaped cemetery. We regularly tidy and patrol our cemetery grounds to ensure they are clean and safe for our visitors. We also regularly maintain our facilities to ensure they are fully functional.

We charge maintenance fees, which typically is no higher than 30% of the sales price of the burial plots when the customers sign the sales contracts. Our revenue from cemetery maintenance services was RMB2.5 million and RMB2.6 million in 2015 and 2016, respectively, representing 10.4% and 8.5% of our revenue during the same period, respectively.

### **OUR CEMETERY**

We began to operate our cemetery “萬桐園 (Wan Tong Yuan)” in 2007. Wan Tong Yuan is located in the Economic and Technological Development Area of Langfang (廊坊開發區), adjacent to the Daxing district of Beijing (北京大興區) and surrounded by the Dragon river (龍河) and the Phoenix river (鳳河). Wan Tong Yuan is accessible via the G2 Jinghu Expressway (京滬高速) and G104 National Highway (國道104線).

Wan Tong Yuan resembles a park beautifully designed with flowerbeds, lawns, ponds, groves and modern architectures to provide comfort and tranquility for our visitors. The developed area of our cemetery consists of 20 sectioned burial areas designated for traditional and artistic burial plots of different orientation and prices, interconnected by electrical cars for the convenience of our visitors. Our cemetery also has a designated area featuring military-themed monuments, which provides a dignified burial setting for war veterans and other distinguished public figures, including General SUN Yi.

We have not developed the entire available site area of our cemetery into the various types of burial plots upon acquisition of the land. Based on our estimation of the potential need of our customers, we may construct additional burial plots for future sales on these areas. The developed area of our cemetery has a total site area of approximately 166,569 sq.m., approximately 133,825 sq.m. of which remained available for future sale and development as of December 31, 2016. We pre-fabricate burial plots for the traditional and unique artistic burial services and develop our cemetery into different sectioned burial areas in phases and extend and increase the number of burial plots based on customer demand by

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landscaping the determined burial areas and erecting the headstones. At the same time, we strive to ensure that our cemetery continues to be in harmony with natural surroundings and remains as a lush and well-planned park.

The following table sets forth certain details regarding our cemetery as of December 31, 2016:

Developed area	40,015 sq.m.
Occupied area <sup>(1)</sup>	32,744 sq.m.
Available area <sup>(2)</sup>	7,271 sq.m.
Undeveloped area	126,554 sq.m.
Total site area <sup>(3)</sup>	166,569 sq.m.

- (1) The occupied area of the cemetery represents the total area of the burial plots for which the rights to use them have already been sold.
- (2) The available area of the cemetery represents the total area of the burial plots for which the rights to use them have not yet been sold. The rights to use the burial plots are sold as part of our burial services.
- (3) The area information about our cemetery does not include the columbaria or infrastructure. The gross floor area of the columbaria is approximately 4,052 sq.m. We did not sell any cremation niches, which are placed in the columbaria, during the Track Record Period. We do not currently plan to expand our service capacity for cremation niches.

As of December 31, 2016, we had an available area in our cemetery of approximately 7,271 sq.m., which we estimate is able to host at least approximately 2,400 burial plots, and an undeveloped area in our cemetery of approximately 126,554 sq.m., which we estimate is able to host an additional at least approximately 42,000 burial plots. Based on our expected annual sale of burial plots, we estimate that our cemetery is able to sustain stable operations of approximately 50 years in the future.

We currently plan to develop the undeveloped area of our cemetery into 20 additional sectioned burial areas in phases as we gradually populate our existing burial areas. We plan to add distinctive themes to certain new burial areas to appeal to prospective customers of particular preferences or cultural backgrounds. For example, we currently plan to apply the design of Taiji Diagram (太極八卦圖) in the layout of a burial area and install monuments or sculptures featuring religious themes in certain other burial areas. As we continue to diversify our service offerings and promote environmentally-friendly burial practices, we plan to place burial plots under trees or flowerbeds in certain burial areas to allow them to blend beautifully into the surrounding scenery.

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In particular, we plan to begin developing the following sectioned burial areas in the near term.

- *“Rose” Garden.* We plan to begin developing this burial area to the far west of the main inner road of our cemetery in the fourth quarter of 2017. We expect this burial area to fill with a variety of roses and host burial plots for traditional burial services. We currently plan to incur approximately RMB1.4 million in capital expenditure from 2017 to 2019.
- *“Langfang” Garden.* We plan to begin developing this burial area to the near west of the main inner road of our cemetery in the first half of 2019. We expect this burial area to feature locally-themed sculptures and host burial plots for traditional burial services with estimated pricing higher than “Rose” Garden, leveraging its preferred location within our cemetery. We currently plan to incur approximately RMB2.0 million in capital expenditure in 2019.

We plan to finance the capital expenditures in relation to our expansion plans with net proceeds from the [REDACTED] and a variety of other means, including our internal resource, cash generated from our operations, debt financing and equity financing.

For details, see “Future Plans and Use of Proceeds — Use of Proceeds.”

**PRICING**

We price our burial services based on a number of factors including customer preferences, headstone materials and designs, burial plot size and location, and our target profit margin. We believe that we have strong bargain power with customers, as burials are considered a means for family members to pay their respects to the deceased and comfort the living and are viewed with great importance in the traditional Chinese culture.

The following table sets forth the range of selling prices for the burial plots contracted for sale for the periods indicated:

<b>Type of services</b>	<b>Range of selling price</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB</i>	<i>RMB</i>
Traditional burial services	6,409–72,154	6,966–107,846
Artistic burial services	14,508–137,601	116,769–557,389

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## BUSINESS

The following table sets forth the average selling prices for the burial plots contracted for sale for the periods indicated:

<b>Type of services</b>	<b>Average selling price</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB</i>	<i>RMB</i>
Traditional burial services	29,848	35,876
Artistic burial services	105,448	165,456

Our maintenance fees typically is no higher than 30% of the selling price of burial plots.

### **SALES, MARKETING AND CUSTOMERS**

#### **Sales team**

Our sales team consisted of nine sales personnel as of December 31, 2016. All our sales personnel are adequately trained and knowledgeable of the burial services we offer and the local customs for burial services to allow them to be attentive to the needs of prospective customers. We pay bonuses to our sales personnel to reward them for the sale of burial services they facilitate.

We also cooperate with certain funeral services providers who assist with the sales and marketing of our burial services. These funeral services providers are independent third parties and predominantly comprise individuals. As of the Latest Practicable Date, we had cooperation relationship with a number of funeral service providers in Langfang and had entered into written contracts with 10 of them for the use of our corporate logo as a marketing device to attract customers. We have also been seeking cooperation with Beijing-based funeral service providers, mortuaries and funeral parlors to expand our customer base. We pay commission fees to the relevant funeral services providers for the sale of burial services they facilitate. The total commissions paid to the relevant funeral services providers accounted for approximately 2.3% and 2.1% of our revenue in 2015 and 2016, respectively.

#### **Marketing**

We market our services primarily through word-of-mouth and marketing efforts. As burial services are highly personal and based on trust, alongside our brand and marketing network, we believe word-of-mouth through our customers is a highly effective marketing channel. We also believe we can gain the trust from our customers by providing them with premium burial services. In addition, we from time to time hold cultural events in our facilities to let potential customers experience the environment of our facilities and utilize newspapers, television programs, and the Internet to enhance our brand recognition.

## **BUSINESS**

To expand our customer base from outside Langfang as the integration of the Jing-Jin-Ji megalopolis deepens, we have begun to place both on-site and online advertising targeted at Beijing residents and have been seeking cooperation with Beijing-based funeral service providers, mortuaries and funeral parlors. We expect to have four, eight and 14 partnered funeral service providers, mortuaries and funeral parlors in Beijing and Tianjin in 2017, 2018 and 2019, respectively.

### **Customers**

Our customers include primarily individuals from Langfang that purchase burial plots for family members that have passed away. As the integration of the Jing-Jin-Ji megalopolis deepens, we increasingly serve customers from the neighboring cities. During the Track Record Period, we served 88 customers from outside Langfang, accounting for approximately 6.4% of our total customers.

Our customers generally make full upfront payment of the service fees at the time they enter into the sales contract with us. See “— Our Services — Burial services — Service terms.”

During the Track Record Period, our single largest customer accounted for less than 1.0% of our total revenue. For the same periods, our top five largest customers accounted for approximately 3.0% of our total revenue. None of our Directors, their close associates or any Shareholders (which to the knowledge of our Directors owns more than 5.0% of our Shares) has any interest in any of our five largest customers during the Track Record Period.

### **SUPPLIERS AND SERVICE PROVIDERS**

We procure from suppliers and third-party service providers headstones, ceramic photographs, road construction within our cemetery and interior decoration.

To manage our suppliers and service providers, we have adopted policies and internal control measures to select suppliers and service providers that provide products and services with high quality at a reasonable cost. We evaluate existing suppliers and service providers on the basis of a number of factors including service quality, price, promptness of delivery, and credit term. We believe that all the products and services we source are readily available in the industry and the suppliers and service providers we use can easily be replaced. Therefore, we generally do not enter into any contracts with a term longer than one year with any major suppliers. During the Track Record Period, we did not experience any material shortage or delay in the supply of services or products. Purchases from our single largest supplier, accounted for approximately 78.3% and 89.0% of our total purchases, respectively, for 2015 and 2016. See “Risk Factors — Risks Relating to Our Business and Industry — We relied on one major supplier during the Track Record Period, and any disruption in its supply may have a material adverse effect on our business and results of operations.”



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<b>BUSINESS</b>
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The following table sets forth certain information of our major suppliers and service providers during the Track Record Period:

**2015**

Name of Supplier	Principal supplies purchased	Approximate length of relationship	Purchase <i>RMB'000</i>	% of total purchase
Supplier A	Headstones	Since 2007	4,103	78.3%
Supplier B	Road construction	Since 2012	389	7.4%
Supplier C	Road construction and interior decoration	Since 2015	318	6.1%
Supplier D	Ceramic photographs	Since 2007	263	5.0%
Supplier E	Road construction	Since 2015	85	1.6%

**2016**

Name of Supplier	Principal supplies purchased	Approximate length of relationship	Purchase <i>RMB'000</i>	% of total purchase
Supplier A	Headstones	Since 2007	3,847	89.0%
Supplier D	Ceramic suppliers	Since 2007	236	5.5%
Supplier F	Road construction	Since 2015	227	5.3%

None of our Directors, their close associates or any Shareholders (which to the knowledge of our Directors owns more than 5.0% of our Shares) has any interest in any of our five largest suppliers during the Track Record Period. We did not have any disputes with any of our suppliers or service providers during the Track Record Period.

**QUALITY CONTROLS**

We have implemented a number of quality control measures to ensure the quality of our burial services. We regularly inspect the burial plots and headstones and request repairs from our suppliers pursuant to warranty terms. We also inspect headstones prior to use and return defective headstones to suppliers. Within three years after the sales of the burial plots, we coordinate with our suppliers in providing maintenance services to our customers without additional charge, as the cost is included in the sales price of the burial plots. During the Track Record Period, we did not receive any complaints of a material nature from our customers or the local authorities.

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<b>BUSINESS</b>
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As of December 31, 2016, our quality management team consisted of two individuals, with an average of approximately 11 years' experience in the burial industry. The quality team is responsible for overseeing the quality control procedures that are in effect for our burial services.

## **EMPLOYEES**

We recognize the importance of our employees to our business and are committed to building a strong team of employees. As of December 31, 2016, we had 52 full-time employees. The following table sets forth a breakdown of employees by function as of December 31, 2016.

<b>Function</b>	<b>Number of employees</b>	<b>Percentage of total</b>
Management	3	5.8%
Finance and accounting	3	5.8%
Cemetery monitoring	5	9.6%
Gardening	5	9.6%
Security	10	19.2%
Sales and marketing	9	17.3%
Cleaning	8	15.4%
Procurement	2	3.8%
Others	7	13.5%
Total	52	100.0%

Our employee compensation includes base salary and bonuses. In general, we determine employee compensation based on each employee's performance, qualifications, position and seniority. We are subject to social insurance contribution and housing reserve fund plans organized by PRC local governments. In accordance with the relevant laws and regulations, we are required to pay, on behalf of our employees, monthly social insurance premiums covering basic pension insurance, basic medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing reserve fund.

We believe we have maintained good relationships with our employees. As of December 31, 2016, our employees had not negotiated their terms of employment through any labor union or by way of collective bargaining agreements. We have not experienced strikes or significant labor disputes which have had or are likely to have a material adverse effect on our business operation.

## BUSINESS

### SOCIAL RESPONSIBILITY

We are committed to our social responsibility. We strive to assist the deceased and their families in need on an ad-hoc basis. In the past, we offered discounted burial services to certain public servants, such as war veterans, or elderly people in need. We also seek to conserve the environment by promoting environmentally-friendly and space-saving services and commemoration rituals, such as green “tomb-sweeping” activities with presentation of bouquets, colored ribbons and wish cards to replace the burning of incense, candles or joss paper. In addition, we have a burial area designated for war veterans and other distinguished public figures, including General SUN Yi, and receive organized visits from school groups and government employees to honor the war veterans for educational purposes.

We believe that our commitment to social responsibility have contributed to the popularity and strength of our brand.

### AWARDS AND RECOGNITIONS

Over the years, we have received awards and designations and have obtained recognitions from various industry associations, government entities and social communities. The following table sets forth the major awards we have received in recent years.

<b>Year of Grant</b>	<b>Awards/Recognition</b>
July 2014	Outstanding Cemetery Unit (優秀公墓單位) from the Bureau of Civil Affairs of Langfang (廊坊市民政局)
February 2017	Secretary-General Unit (秘書長單位) of the Youth Working Committee of the China Funeral Association (中國殯葬協會青年工作委員會)

### COMPETITION

We believe that burial services providers attract customers based primarily on reputation, track record of operations, quality of services, and well-maintained and conveniently located facilities, and competitive pricing. As a result, we believe that newer, smaller or less well-known burial services providers will generally take a long time to expand their customer base.

Our competitors include both privately-owned and government-sponsored service providers. According to the F&S Report, government-sponsored service providers generally offer basic welfare services to primarily meet the demand of low income families, while privately-owned providers offer a wider choice of services primarily to meet the demand of middle and high income families. We believe that the combination of our comprehensive offerings of burial services and our beautifully landscaped cemetery has allowed us to serve a diversified customer base and command a price premium for certain burial services we offer.

## **BUSINESS**

Although the provision of burial services is essentially a local business, according to the F&S Report, there is a growing demand among residents in Beijing and Tianjin for affordable burial sites, which have become increasingly sparse locally, and our strategically located cemetery represents an attractive solution to address such unmet need cost-effectively.

The burial services market in Langfang is concentrated. According to the F&S Report, the top five burial services providers in Langfang accounted for approximately 94.8% of the local burial services market in terms of revenue in 2016. We believe our reputation, quality of services, and well-maintained and conveniently located facilities allow us to compete effectively in Langfang.

### **INTELLECTUAL PROPERTY**

As of the Latest Practicable Date, we have submitted 16 trademark applications in China and one trademark application in Hong Kong pending approval.

During the Track Record Period, no material claims or disputes were brought against us in relation to any infringement of trademark or any other intellectual property. In addition, we had not experienced any infringement of our intellectual property rights which had a material adverse effect on our business and results of operation as of the Latest Practicable Date.

See “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to successfully register our trademarks with the PRC or Hong Kong government authorities, adequately protect our intellectual property or maintain favorable publicity, which could harm the value of our brand and adversely affect our business.”

### **PROPERTIES**

We operate one cemetery in Langfang, Hebei province, China. We have the right to use two parcels of land with an aggregate site area of approximately 176,076 sq.m. We have obtained the land use right certificates for these parcels of land, which evidence the legal right to use the land as permitted by the certificates. We own a total of six buildings on our cemetery with an aggregate gross floor area of 5,775 sq.m., which comprise five columbaria and one office building. There are certain title defects associated with our buildings. For details, see “— Non-Compliance — Property Title Defects.”

We also own a parcel of land with a site area of approximately 10,255 sq.m. in Langfang. We have leased this property to Langfang City Funeral Parlor (廊坊市殯儀館), which is controlled by the local civil affairs authority, to operate funeral services pursuant to a lease agreement dated December 2014. We are entitled to a pretax annual rental fee of RMB200,000 during the lease term which expires in December 2020.

Our property interests forming our non-property activities include an office building with a total gross floor area of approximately 1,723 sq.m. See “Appendix III — Property Valuation” for further details.

## **BUSINESS**

### **INSURANCE**

We currently maintain social welfare insurance in accordance with the relevant PRC laws and regulations for our employees and commercial insurance for work-related injuries for certain elderly employees ineligible for social welfare insurance. We have recently purchased insurance coverage for personal injuries sustained on our premises caused by our operations or damages to our facilities caused by accidents or natural disasters. We believe that our current insurance coverage is generally commensurate with the local industry practice. During the Track Record Period and up to the Latest Practicable Date, we did not experience any incidents that had caused material personal injuries on our premises or material damages to our facilities. See “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not be sufficient to cover all losses and we may incur substantial costs as a result of a severe business liability or disruption or other unexpected events.”

### **LICENSE AND PERMIT**

Our operations are reliant on certain requisite license and permit for our cemetery. For the operation of Wan Tong Yuan, we have obtained all material license and permits, including the Certificate of Commercial Cemetery (公墓經營許可證) issued by Department of Civil Affairs of Hebei Province (河北省民政廳) on July, 31, 2016, which expires on June 30, 2020. Our Directors believe that there will not be any material obstacle for us to renew such license and permit upon its expiry.

### **ENVIRONMENTAL, HEALTH AND SAFETY MATTERS**

Our current business operation is not subject to extensive environmental laws and regulations in China, nor do we believe that nature of our business involves substantial health or safety related risks.

As of the Latest Practicable Date, no material breaches of environmental regulations were identified in the annual inspections conducted by competent government authorities. We did not incur material environmental compliance cost during the Track Record Period and expect our annual cost of compliance with environmental protection laws and regulations for 2017 to be approximately RMB0.6 million for installing an environmentally-friendly incinerator for burning joss paper and other offerings during “tomb-sweeping” activities.

### **INVESTMENT ACTIVITIES**

From 2009 to 2014, we made several investments and acquired a minority equity stake in Huimin Town Bank Co., Ltd. of Anci District, Langfang City (廊坊市安次區惠民村鎮銀行股份有限公司) (as to 10.0%) and Suburban Rural Credit Cooperatives of Langfang City (廊坊市城郊農村信用合作聯社) (as to 5.78%) for an aggregate price of RMB53.0 million. We are a passive investor in these investees as we are not entitled to appoint directors to the board of the investees or otherwise influence their business operations. We are entitled to dividend distributions from these investees and we may dispose of our investments when

**BUSINESS**

opportunities arise. We received dividend income of RMB3.6 million and RMB2.6 million in 2015 and 2016, respectively. Except for our minority equity interests, these investees are independent third parties.

**LEGAL PROCEEDINGS**

As of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that, individually or in aggregate, could have a material adverse effect on our business, financial condition or results of operations. In addition, we have not been involved in any litigation or arbitration proceedings pending or threatened against us or any of our Directors that, individually or in aggregate, could have a material adverse effect on our business, financial condition or results of operations.

**NON-COMPLIANCE**

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any non-compliance that, in the opinion of our Directors, is likely to have a material adverse effect on our business, financial condition or results of operations. As advised by our PRC legal advisers, during the Track Record Period and up to the Latest Practicable Date, save as the incidents of non-compliance as set out below, we had complied with applicable PRC laws and regulations in all material respects.

**Social insurance plans and housing reserve fund**

*Non-compliant incidents*

During the Track Record Period, we did not make adequate social insurances for all of our employees, nor did we register with the relevant housing reserve fund authorities or make adequate housing reserve fund contributions for all of our employees in a timely manner. Our non-compliance was primarily due to our inability to make the relevant contributions on behalf certain employees that are rural registered residents or are unwilling to make the corresponding deductions in salary for such contributions.

*Potential legal consequences*

As advised by our PRC legal advisers, late fees and fines may be imposed on an employer for not making full social insurance contributions for employees in a timely manner. If any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% (0.2% if the non-compliance occurred prior to July 1, 2011) of the total outstanding balance per day. If we fail to do so within the prescribed period, we may be subject to a fine ranging between one to three times of the total outstanding balance.



## **BUSINESS**

As advised by our PRC legal advisers, if any of the relevant housing reserve fund authorities is of the view that our contributions to the housing reserve fund do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, the relevant housing reserve fund authority may apply to a PRC court for an order of payment.

During the Track Record Period and up to the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance or housing reserve fund contributions, nor had we received any order to settle the outstanding amount of such contributions.

### ***Rectifications***

We estimate that the total shortfall amounts in social insurance and housing reserve fund contributions were approximately RMB0.2 million and RMB0.3 million in 2015 and 2016, respectively, and made full provision for such shortfall amounts. We will also pay the shortfall amounts in social insurance and housing reserve fund contributions in a timely manner if requested by the relevant regulatory authorities. We believe that the payment of the shortfall amounts would not have a material adverse impact on our business operations and financial condition, considering our cash available as of February 28, 2017. According to the confirmation letters issued by competent government authorities, the Social Insurance Administrative Station of Langfang Economic and Technological Development Area (廊坊經濟技術開發區社會保險事業管理所) and the Housing Reserve Fund Contributions Department of Langfang (廊坊開發區住房公積金管理部), issued on March 7, 2017 and March 17, 2017, respectively, which confirmed that no violation was found and no employee complaint was received, our PRC legal advisers are of the view that the likelihood of government sanctions imposed on the inadequate social insurance or housing reserve fund contributions is low. Based on the foregoing facts and circumstances, the Directors reasonably believe that the likelihood that we will be subject to fines due to inadequate social insurance or housing reserve fund contributions is low.

Beginning in March 2017, we have complied with our obligations for social insurance and housing reserve fund contributions for our employees in accordance with the applicable PRC laws and regulations. As an annual compliance measure following the [REDACTED], we will continue to communicate with our employees with regard to the employee social insurance plans and housing reserve fund, and contribute to the employee social insurance plans and housing reserve fund consistent with the standards stipulated under applicable PRC laws and regulations.



**BUSINESS**

**Property title defects**

*Non-compliant incidents*

We did not timely complete the relevant environmental protection, planning and construction approval procedures, and therefore failed to obtain the building ownership certificates for six buildings, primarily due to employee oversight and lack of knowledge on compliance. These buildings have an aggregate gross floor area of approximately 5,775 sq.m., comprising (1) one office building and (2) five columbaria built for the storage of cremains that were forced to be removed from their original burial grounds which were subsequently condemned by the local government for city development.

*Potential legal consequences*

As a result of our non-compliance, we may be required by the competent government authorities to rectify such defects within a stated period or pay a fine of up to approximately RMB834,000. We may also encounter difficulties in occupying these buildings if the government authorities seek to demolish the buildings, and we may be required to relocate.

Our PRC legal advisers have advised us that, as we do not have the building ownership certificates for the six buildings, the legal title of these buildings may not be sold or accepted by banks as securities for mortgages.

*Rectifications*

In March 2017, we obtained written confirmation letters from the Housing Planning and Construction Bureau of Langfang Economic Development Zone (the “**Construction Bureau**,” 廊坊經濟技術開發區住房和規劃建設局) and the Environmental Protection Bureau of Langfang Economic Development Zone (the “**Environmental Protection Bureau**,” 廊坊經濟技術開發區環境保護局), the competent government authorities. According to the Construction Bureau’s confirmation letter, it confirmed that it would not impose sanctions on the title defects of the five columbaria and that there would be no substantial legal impediment for obtaining relevant building ownership certificates if we apply and obtain the construction approval and complete a compulsory third-party property inspection. According to the Environmental Protection Bureau’s confirmation letter, it confirmed that it would not impose sanction on the title defects of the five columbaria, and we are only required to submit the environmental impact registration form (環評影響登記表). As of the Latest Practicable Date, we had submitted the environmental impact registration form for the five columbaria and were in the process of completing the other relevant approval procedures. In addition, according to these confirmation letters, both the Construction Bureau and the Environmental Protection Bureau confirmed that they would not impose sanctions on the title defects of the office building. We currently plan to demolish the office building and relocate our office administration to comparable premises nearby. We estimate that it takes approximately 17 days and cost approximately RMB95,000 to demolish the office building and relocate our office administration. Despite the title defects, we believe all the six buildings are in safe and habitable conditions.

## BUSINESS

Based on the foregoing, our PRC legal advisers are of the view that the likelihood of government sanctions imposed on the title defects is low. Our Directors are of the view that the six buildings with title defects are not crucial, individually or in aggregate, to our operations based on the consideration that (1) we had sold the occupied cremation niches in the columbaria, which does not require any transfer of legal title in the buildings prior to the Track Record Period and therefore did not derive any revenue from our occupation of the columbaria and we currently do not plan to expand our service capacity for cremation niches, and (2) our office administration does not generate revenue and we do not anticipate any material practical difficulty in promptly identifying comparable alternative premises at reasonable cost.

### **Indemnity**

[Our Controlling Shareholders have entered into] the Deed of Indemnity in favour of us, whereby they have agreed to indemnify our Group from and against, among others, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with (1) any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted by or against any member of our Group in relation to events occurred on or before the [REDACTED] and (2) any violation or non-compliance with the laws, rules or regulations applicable to our Group on or before the [REDACTED].

### **Internal control**

Our Directors are responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with the applicable PRC and Hong Kong laws and regulations, we have implemented internal procedures. Particularly, in view of the above issues in respect of our non-compliance incidents, we will implement the following internal control procedures to ensure our compliance with legal or regulatory requirements in respect of our business operation, and to reduce our exposure to risk of penalties from the PRC regulatory authorities and cost associated in rectifying or responding to property defects.

- we have appointed a compliance officer, Mr. HUANG Guangming, who directly reports to our Chairman, Ms. Zhao, to oversee the internal control systems and the implementation of internal control measures for Hong Kong listed companies and our operations;
- we have adopted a set of internal control manual, policies and guidelines (which covers, among others, operations and projects, cash management, treasury management and internal auditing), subject to regular review by our compliance officer;
- we have established effective lines of communication pursuant to which department heads or managers can identify potential non-compliance exposures, and report promptly the detected problems to our compliance officer such that corrective measures can be formulated and undertaken;

## BUSINESS

- we have maintained a list of permits and licenses that are required in order for us to properly operate our business and will update this list from time to time based on our experience with local authorities and advice from our external advisers;
- we will regularly communicate with our employees with regard to contributions to social insurance plans and housing reserve fund, and with local labor and housing reserve fund authorities with regard to specific local practice;
- we will provide regular trainings to our employees to raise their awareness on the importance of internal controls and compliance; and
- we have engaged an independent internal control consultant (the “**Internal Control Consultant**”), and will continue to engage the Internal Control Consultant, as necessary, to review our internal control systems after the [REDACTED] for one year, and will disclose all material findings, if any, by the internal control consultant in our annual and interim reports after the [REDACTED].

### **Review of the Internal Control Consultant**

Based on the review results and recommendations provided by the Internal Control Consultant, we have adopted the recommended measures and policies to improve our internal control systems and to ensure its compliance with the GEM Listing Rules and the relevant Hong Kong laws. After the Internal Control Consultant performed their follow-up review in March 2017, they have not identified any further issues and have made no further recommendations in the respective areas covered in their reviews. Based on the results of the internal control reviews, our Directors are of the view that adequate and effective internal control procedure and policies have been put in place by our Group.

### **View of our Directors and the Sole Sponsor**

Our Directors are of the view that we have taken all reasonable steps to establish an adequate internal control system to prevent future recurrence of the aforementioned non-compliance incidents. We have put in place a set of internal control procedures to address various potential operational and legal risks identified in relation to our operations.

After due consideration, our Directors are of the view, and the Sole Sponsor concurs, that the various internal control measures adopted by our Group are adequate and effective to avoid recurrence of the aforementioned non-compliance incidents, there is no further matter that the Sole Sponsor would consider affecting the suitability of our Directors to become directors of our Company under Rules 5.01 and 5.02 of the GEM Listing Rules.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of [REDACTED] and [REDACTED], Tai Shing International (indirectly wholly-owned by the Family Trust, of which the beneficiaries are Ms. Zhao and her issue) will be interested in approximately [REDACTED]% of the issued share capital of our Company. As Ms. Zhao, the Family Trust, Lily Charm and Tai Shing International will continue to control more than 30% of the issued share capital of our Company, Ms. Zhao, the Family Trust, Lily Charm and Tai Shing International will be our Controlling Shareholders after [REDACTED].

### COMPANIES OWNED BY OUR CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP

Apart from the interest in our Group, Ms. Zhao, one of our Controlling Shareholders, is also a controlling shareholder of China VAST Industrial Urban Development Company Limited (中國宏泰產業市鎮發展有限公司, “China VAST,” in which Ms. Zhao holds 63.66% shareholding as at the Latest Practicable Date), an exempted company incorporated in the Cayman Islands with limited liability and listed on the Stock Exchange (stock code: 6166).

China VAST is principally engaged in planning, development and operation of large-scale industrial towns (產業市鎮) in China, which are different from and unrelated to our Group’s core business and do not compete, and are not likely to compete, with the core business of our Group.

Save as disclosed above, our Controlling Shareholders do not have any interest in any other company or business.

### RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors, our substantial Shareholders and their respective close associates do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

On the following grounds, our Directors consider that our Group is capable of carrying on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after [REDACTED]:

#### **Management independence**

Our management and operational decisions are made by our Board and senior management. Our Board comprises one non-executive Director, two executive Directors and three independent non-executive Directors. Although Ms. Zhao is one

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

of our Controlling Shareholders and also holds directorship in our Company, on the following basis, we consider that our Board and senior management will function independently from our Controlling Shareholders:

- (a) Ms. Zhao is a non-executive Director and is not involved in the daily management and operations of our Company;
- (b) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;
- (c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted in forming quorum; and
- (d) all our senior management members are independent from our Controlling Shareholders. They have served our Group for a sufficient length of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

### **Operational independence**

Our Group has established our own organizational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, sales and marketing and general administration resources, with our Controlling Shareholders and/or their respective close associates.

Based on the above, our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders and their respective close associates after [REDACTED].

### **Financial independence**

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and have not shared any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independently of our Controlling Shareholders and their close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, save for (i) an amount of approximately HK\$480,000 due to Ms. Zhao by our Group, which was paid by Ms. Zhao in advance for the general expenses incurred during our Reorganization and the preparation for [REDACTED]; and (ii) an amount of RMB53,835,000 due to Miss Wang, which is the consideration of Wantongyuan Management's acquisition of the register capital of Langfang Wantong held by Miss Wang, there was no outstanding amount due to our Controlling Shareholders or their close associates from us and there was no guarantees provided for our benefit by our Controlling Shareholders or any of their close associates. Our Directors confirm that all amounts due to our Controlling Shareholders or their respective close associates and other balances with related parties of our Group, have been or will be fully repaid or released prior to [REDACTED].

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates after [REDACTED].

## DEED OF NON-COMPETITION

On [ • ] 2017, our Controlling Shareholders entered into the Deed of Non-competition in favor of our Company, pursuant to which our Controlling Shareholders irrevocably undertake to our Company that they will not and will procure their respective close associates (except any member of our Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the core business of our Group, being burial services businesses and funeral services business that our Group plans to expand into ("**Restricted Business**") or own any rights or interests in such businesses.

Our Controlling Shareholders have further irrevocably undertaken that during the Restricted Period (as defined below), they should and will procure their respective close associates (except any member of our Group) (our Controlling Shareholders and their respective close associates together, "**Offerors**") to offer new business opportunities to us first in the following manner when any business, investment or other business opportunities ("**New Business Opportunities**") related to the Restricted Business become available to the Offeror:

- (i) the Offeror will make referral of the New Business Opportunities to us, and will as soon as possible inform us in writing ("**Offer Notice**") about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our business, and (b) whether taking up the New Business Opportunities is in the interest of our Group;



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of the Shareholders. Our Company must inform the Offeror in writing within 20 Business Days after receipt of the Offer Notice about its decision on whether the New Business Opportunities will be pursued; and
- (iii) only when (a) the Offeror has received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with our core business; or (b) the Offeror has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then the Offeror is entitled to take up the New Business Opportunities on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by the Offeror, referral of the revised New Business Opportunities shall be made by the Offeror to us again in the manner as stated above.

The undertakings under the Deed of Non-competition are not applicable in the following circumstances:

- (i) our Controlling Shareholders and/or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of our Group; or
- (ii) our Controlling Shareholders and/or their respective close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in listed companies other than our Group, with the following conditions being satisfied:
  - (a) The Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company; and
  - (b) our Controlling Shareholders and/or their respective close associates (except any member of our Group) hold in aggregate not more than 10% of the issued share capital of relevant class of shares of such company, and our Controlling Shareholders and/or their respective close associates (except any member of our Group) have no right to appoint the majority of directors of such company or participate in the management of such company.



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Pursuant to the Deed of Non-competition, the Restricted Period refers to the period commencing from [REDACTED] and ending on the following dates (whichever is earlier):

- (i) the date when the shares of our Company cease to be [REDACTED] on the Stock Exchange; and
- (ii) the date when our Controlling Shareholders cease to be controlling shareholders of our Company.

## CORPORATE GOVERNANCE MEASURES

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the Shareholders, including:

- (i) if a Director has a material interest in a particular transaction, he or she shall abstain from voting in any matters relating to such transaction being considered at the Board meeting and he will not be counted as a quorum of the Board meeting;
- (ii) if disinterested Directors (including the independent non-executive Directors) reasonably seek to obtain independent and professional advice (such as financial adviser advice), the costs incurred for obtaining such advice will be borne by our Company;
- (iii) the independent non-executive Directors will review the compliance with the undertakings under the Deed of Non-competition by our Controlling Shareholders on an annual basis;
- (iv) our Controlling Shareholders will provide or procure the provision of all necessary information required for the Board's annual review of compliance with the Deed of Non-competition;
- (v) our Company will disclose in its annual report the decisions (if any) of the independent non-executive Directors on matters relating to the New Business Opportunities and the relevant basis; and
- (vi) our Controlling Shareholders will make an annual declaration on its compliance with the Deed of Non-competition in our annual report.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board currently consists of six Directors, comprising one non-executive Director, two executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board’s work at our Shareholders’ meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association.

The table below shows certain information in respect of the members of our Board.

#### Members of our Board

Name	Age	Position	Roles and responsibilities	Date of appointment as a Director	Date of joining our Group	Relationship with other Directors or senior management
Ms. ZHAO Ying (趙穎)	46	Chairman and non-executive Director	Participating in decision making procedures, but not participating in the day-to-day management of our Group	January 2017	January 2017	N/A
Ms. LI Xingying (李興穎)	39	Executive Director	Responsible for overall operation of our Group	March 2017	November 2007	N/A
Mr. HUANG Guangming (黃廣明)	43	Executive Director	Responsible for strategy and development of our Group and internal control of our Group	March 2017	August 2013	N/A
Mr. CHEUNG Ying Kwan (張應坤)	57	Independent non-executive Director	Participating in making significant decisions and giving advice on corporate governance, connected transactions, and remuneration and nomination of Directors and senior management, but not participating in the day-to-day management of our Group	[ • ] 2017	[ • ] 2017	N/A
Dr. WONG Wing Kuen, Albert (王永權)	66	Independent non-executive Director	Participating in making significant decisions and giving advice on corporate governance, connected transactions, and remuneration of Directors and senior management, but not participating in the day-to-day management of our Group	[ • ] 2017	[ • ] 2017	N/A

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## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Roles and responsibilities	Date of appointment as a Director	Date of joining our Group	Relationship with other Directors or senior management
Mr. CHOI Hon Keung, Simon (蔡漢強)	57	Independent non-executive Director	Participating in making significant decisions and giving advice on corporate governance, connected transactions, and remuneration and nomination of Directors and senior management, but not participating in the day-to-day management of our Group	[ • ] 2017	[ • ] 2017	N/A

### Non-executive Director

**Ms. ZHAO Ying (趙穎)**, aged 46, joined our Group in January 2017 and was further designated as a non-executive Director in March 2017. Ms. Zhao serves as a director of Langfang City Property Development Co., Ltd. (廊坊市城區房地產開發有限公司) since February 2008 and a non-executive director of China VAST Industrial Urban Development Company Limited (中國宏泰產業市鎮發展有限公司) (stock code: 6166), a company listed on the Stock Exchange since August 2014.

### Executive Directors

**Ms. LI Xingying (李興穎)**, aged 39, was appointed as an executive Director in March 2017. Ms. Li has 15 years of experience in burial services industry. Ms. Li joined our Group in November 2007. Before joining our Group, she served as a clerk and cashier of Wan Tong Yuan from March 1999 to September 2000 and a salesperson in Langfang City Property Development Co., Ltd. (廊坊市城區房地產開發有限公司) from September 2000 to March 2003. From March 2003 to October 2005, Ms. Li served as the marketing manager of Wan Tong Yuan, being responsible for the overall management of the customers' services center and business administration thereof. Ms. Li served as the general manager of Wan Tong Yuan from October 2005 to November 2007 and the executive general manager of Langfang Wantong from November 2007 to May 2015. Ms. Li has been the sole executive director, legal representative and general manager of Langfang Wantong since May 2015.

In November 2016, Ms. Li took the 35<sup>th</sup> Training Class of Modern Cemetery in China and President Workshop (第三十五屆全國現代公墓建設培訓班暨總裁研修班), which was organized by China Funeral Association (中國殯葬協會).

**Mr. HUANG Guangming (黃廣明)**, aged 43, was appointed as an executive Director in March 2017. Mr. Huang has more than six years of experience in burial services industry. Mr. Huang rejoined our Group as a deputy general manager of Langfang Wantong in September 2013. Mr. Huang served as the human resources manager of Langfang City Property Development Co., Ltd. (廊坊市城區房地產開發有限公司) from June 2004 to November 2007, the deputy general manager of Langfang Wantong from November 2007 to June 2010 and the general manager of Chengde Yonglun Real Estate Development Co., Ltd.

## **DIRECTORS AND SENIOR MANAGEMENT**

(承德永倫房地產開發有限公司) from June 2010 to September 2013. From time to time, Mr. Huang supervised the operation of the purchasing center of Langfang City Property Development Co., Ltd. (廊坊市城區房地產開發有限公司) during September 2013 and March 2017, which was a part-time position only.

Mr. Huang received associate (大專) level education in Marketing from Hebei University of Science and Technology (河北科技大學) and graduated from the same university in July 2001.

### **Independent non-executive Directors**

**Mr. CHEUNG Ying Kwan (張應坤)**, aged 57, was appointed as an independent non-executive Director in [ • ], 2017. Mr. Cheung has more than 12 years of experience in finance and accounting. Mr. Cheung has been the company secretary of China Mental Resources Utilization Limited (中國金屬資源利用有限公司), a company listed on the Stock Exchange (stock code: 1636), since February 2014. Mr. Cheung served as the financial controller of Gushan Environmental Energy Limited (古杉環保能源有限公司) from March 2006 to August 2013 and the qualified accountant and company secretary of Goldigit Atomtech Holdings Limited (金澤超分子科技控股有限公司) (currently known as Jinchuan Group International Resources Co. Ltd (金川集團國際資源有限公司)), a company listed on the Stock Exchange (stock code: 2362) from April 2001 to March 2006. Mr. Cheung has been an independent non-executive director of the following companies listed on the Stock Exchange:

<b>Company name</b>	<b>Term of office</b>
Tian Shan Development (Holding) Limited (天山發展(控股)有限公司) (stock code: 2118)	From June 2010 to present
Beijing Chunlizhengda Medical Instruments Co., Ltd (北京市春立正達醫療器械股份有限公司) (stock code: 1858)	From March 2015 to present
Gold Finance Holdings Limited (金誠控股有限公司) (formerly known as Nga Chun Holdings Company Limited (雅駿控股有限公司)) (stock code: 1462)	From February 2016 to present

Mr. Cheung has been a fellow member of the Association of Chartered Certified Accountants since November 2000 and an associate member of the Hong Kong Institute of Certified Public Accountants since April 1995. Mr. Cheung obtained a diploma in Fabric Manufacturing from The Hong Kong Polytechnic University in September 1981.

<b>DIRECTORS AND SENIOR MANAGEMENT</b>
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**Dr. WONG Wing Kuen, Albert (王永權)**, aged 66, was appointed as an independent non-executive Director in [ • ], 2017. Dr. Wong has approximately 23 years of experience in accounting. Major work experiences of Dr. Wong include:

<b>Company Name</b>	<b>Term of office</b>	<b>Position</b>
China VAST Industrial Urban Development Company Limited, a company listed on the Stock Exchange (stock code: 6166)	From August 2014 to present	Independent non-executive director
APAC Resources Limited, a company listed on the Stock Exchange (stock code: 1104)	From July 2004 to present	Independent non-executive director
Solargiga Energy Holdings Limited, a company listed on the Stock Exchange (stock code: 757)	From January 2008 to present	Independent non-executive director
China Merchants Land Limited, a company listed on the Stock Exchange (stock code: 978)	From June 2012 to present	Independent non-executive director
KND & Co. CPA Limited (previously known as Anckes Hung & Co, Certified Public Accountants)	From April 1994 to present	Principal consultant

Dr. Wong received a degree of Doctor of Philosophy in Business Administration from the Bulacan State University, Republic of the Philippines in December 2010. Dr. Wong is member of the following institutions:

- a fellow member of The Institute of Chartered Secretaries and Administrators;
- a fellow member of The Hong Kong Institute of Chartered Secretaries;
- a fellow member of The Taxation Institute of Hong Kong;
- a member of the Hong Kong Securities and Investment Institute;
- a member of the Hong Kong Securities Institute;
- a fellow member of Association of International Accountants;
- a fellow member of Society of Registered Financial Planners;
- a member of The Chartered Institute of Arbitrators;
- an associate member of The Chartered Institute of Bankers in Scotland; and

## DIRECTORS AND SENIOR MANAGEMENT

- a full member of Macau Society of Certified Practicing Accountants.

**Mr. CHOI Hon Keung, Simon (蔡漢強)**, aged 57, was appointed as an independent non-executive Director in [•], 2017. Mr. Choi has more than six years of experience in corporate governance. Mr. Choi served as an independent non-executive director of Kenford Group Holdings Limited (建福集團控股有限公司) (stock code: 0464) since August 2011, and an independent non-executive director of Boyaa Interactive International Limited (博雅互動國際有限公司) (stock code: 0434) since October 2013.

Mr. Choi obtained a bachelor's degree in Laws from Peking University (北京大學) in 1991 and a master's degree in Laws from The University of London in 1992. Mr. Choi received his Common Professional Examination Certificate in Laws and Postgraduate Certificate in Laws from the University of Hong Kong in June 1994 and September 1995, respectively. Mr. Choi was admitted as a solicitor in Hong Kong and the UK in November 1997 and June 1998, respectively.

### **Other disclosure pursuant to Rule 17.50(2) of the GEM Listing Rules**

Save as disclosed above, each of our Directors confirm with respect to him or her that he or she (i) did not hold other positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iv) there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT AND COMPANY SECRETARY

The table below shows certain information in respect of members of our senior management and our company secretary:

Name	Age	Position	Date of joining our Group	Roles and Responsibility	Relationship with other Directors or senior management
Mr. YU Minghua (余明華)	39	Chief executive officer	February 2016	Responsible for product development and business expansion of our Group	N/A
Mr. LIU Fengxue (劉鳳學)	36	General administration vice president	November 2007	Responsible for the daily operation and general management of our Group	N/A
Mr. CHU Yunli (褚雲利)	46	Financial controller	November 2007	Responsible for the overall management of financial reporting and cost management of our Group	N/A
Ms. GAO Ping (高萍)	36	Marketing vice president	November 2007	Responsible for the overall management of the marketing department of our Group	N/A
Mr. LAM Koon Fai (林冠輝)	49	Chief financial officer and company secretary	March 2017	Responsible for the overall financial management of our Group and advising the Board on corporate governance matters	N/A

**Mr. YU Minghua (余明華)**, aged 39, joined our Group in February 2016. Mr. Yu is currently the chief executive officer of our Company and a deputy general manager of Langfang Wantong, being responsible for product development and business expansion of our Group. Mr. Yu has more than three years of experience in burial services industry. Prior to joining our Group, Mr. Yu served as the deputy general manager of Guangxi Huazuyuan Investment Co., Ltd. (廣西華祖園投資有限公司) from May 2013 to September 2014 and a deputy project general manager of Puyang Hualong District Longxiang Cemetery Park Co., Ltd. (濮陽市華龍區龍鄉陵園有限公司) from March 2010 to February 2011.

From September 2009 to March 2010, Mr. Yu received a burial services training at Changsha Social Work College (長沙民政職業技術學院).



## DIRECTORS AND SENIOR MANAGEMENT

**Mr. LIU Fengxue (劉鳳學)**, aged 36, joined our Group in November 2007. Mr. Liu is currently the general administration vice president of our Company and a deputy general manager of Langfang Wantong, being responsible for the daily operation and general management of our Group. Mr. Liu has more than 14 years of experience in logistical support and corporate administration. After joining our Group, Mr. Liu has been serving as the head of security in Langfang Wantong since November 2007, and he was promoted as the head of logistical support department and deputy general manager of Langfang Wantong in July 2010 and June 2016, respectively. Prior to joining our Group, Mr. Liu served as the head of security team of Lanshuiwan Property Management (藍水灣物業) of Langfang City Hengtai Services Co., Ltd. (廊坊市恒泰服務有限公司) from November 2002 to November 2007.

**Mr. CHU Yunli (褚雲利)**, aged 46, joined our Group in November 2007. Mr. Chu is currently the financial controller of our Company, being responsible for the overall management of financial reporting and cost management of our Group. Mr. Chu has been the financial controller at Langfang Wantong since he joined our Group. Mr. Chu has nine years of experience in corporate finance.

Mr. Chu attended correspondence courses (函授) and received his associate (大專) degree in Accounting from Beijing Institute of Business (北京商學院) (currently known as Beijing Technology and Business University (北京工商大學)) in July 1997.

**Ms. GAO Ping (高萍)**, aged 36, joined our Group in November 2007 and has more than 14 years of experience in customers' services and marketing. Ms. Gao is currently the marketing vice president of our Company and has been the marketing manager of Langfang Wantong since its establishment, being responsible for the overall management of the marketing department of our Group. Prior to joining our Group, Ms. Gao served as the sales executive of Wantongyuan from October 2005 to November 2007 and the marketing manager of Langfang Economic and Technological Development Area Yongsheng Real Estates Development Co., Ltd. (廊坊開發區永升房地產開發有限公司) from November 2003 to October 2005.

Ms. Gao attended correspondence courses (函授) and obtained her associate (大專) degree in Physical Education from Hebei Institute of Physical Education (河北體育學院) in July 2003.

**Mr. LAM Koon Fai (林冠輝)**, aged 49, was appointed as the chief financial officer and company secretary of our Company in March 2017, being responsible for the overall financial management of our Group and advising the Board on corporate governance matters. Mr. Lam has numerous years of auditing and accounting experience, including serving as chief financial officer of GINSMS Inc., a company listed on the TSX VENTURE (stock code: GOK) from May 2009 to October 2013.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam graduated from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) majoring in Accounting in July 1990. Mr. Lam has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since January 2005.

Saved as disclosed above, none of our senior management held any directorships in any public companies, the securities of which are or have been listed on any exchange in Hong Kong or overseas in the past three years immediate preceding the Latest Practicable Date.

### COMPLIANCE ADVISER

Our Company intends to appoint Innovax Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules.

Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company on, among other matters, the following:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on [REDACTED] and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after [REDACTED] and such appointment may be extended by mutual agreement.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **BOARD COMMITTEES**

#### **Audit Committee**

We have established an Audit Committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing rules. The Audit Committee consists of three members, namely Dr. WONG Wing Kuen, Albert (王永權), Mr. CHEUNG Ying Kwan (張應坤) and Mr. CHOI Hon Keung, Simon (蔡漢強). The chairman of the Audit Committee is Dr. WONG Wing Kuen, Albert (王永權). The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, making recommendations to the Board on the appointment and removal of external auditors, reviewing our financial information and disclosures, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

#### **Remuneration Committee**

We have established a Remuneration Committee with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B1.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The Remuneration Committee consists of three members, namely Dr. WONG Wing Kuen, Albert (王永權), Mr. CHEUNG Ying Kwan (張應坤) and Ms. ZHAO Ying (趙穎). The chairman of the Remuneration Committee is Dr. WONG Wing Kuen, Albert (王永權). The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after [REDACTED], subject to review by and the recommendations of our Remuneration Committee.

#### **Nomination Committee**

We have established a Nomination Committee with written terms of reference. The Nomination Committee consists of three members, namely Ms. ZHAO Ying (趙穎), Mr. CHEUNG Ying Kwan (張應坤) and Mr. CHOI Hon Keung Simon (蔡漢強). The chairman of the Nomination Committee is Ms. ZHAO Ying (趙穎). The primary function of the Nomination Committee is to make recommendations to our Board on appointment of members of our Board.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

Our executive Directors, who are also our employees, receive in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension scheme, allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors for the two financial years ended December 31, 2016 was approximately RMB92,000 and RMB94,000 respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals for the two financial years ended December 31, 2016 was RMB292,000 and RMB644,000 respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the two financial years ended December 31, 2016. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, allowances, benefits in kind and discretionary bonus) of our Directors for the financial year ending December 31, 2017 is estimated to be approximately RMB528,000.

<b>SUBSTANTIAL SHAREHOLDERS</b>
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**SUBSTANTIAL SHAREHOLDERS**

So far as our Directors are aware of, immediately following the completion of [REDACTED] and [REDACTED] (without taking into account of any Share which may be issued upon exercise of [REDACTED]), each of the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/Nature of Interest	Immediately upon the completion of the [REDACTED] and the [REDACTED]	
		Number of Shares <sup>(1)</sup>	Approximate Percentage of Shareholding
Ms. Zhao	Beneficial owner <sup>(2)</sup>	[REDACTED]	[REDACTED]
Tai Shing International	Legal owner and beneficial owner <sup>(2)(3)</sup>	[REDACTED]	[REDACTED]
Lily Charm	Legal owner and beneficial owner <sup>(2)(3)</sup>	[REDACTED]	[REDACTED]
TMF (Cayman) Ltd.	Trustee <sup>(4)</sup>	[REDACTED]	[REDACTED]

(1) The letter “L” denotes the entity/person’s long position in the Shares.

(2) Ms. Zhao is the settlor, sole member of the Family Trust’s protective committee and a beneficiary of the Family Trust which holds the entire issued share capital of Tai Shing International through Lily Charm. Therefore, Ms. Zhao is deemed to be interested in [REDACTED] Shares held by Tai Shing International immediately following the completion of [REDACTED] (assuming [REDACTED] is not exercised), representing 100% of our issued share capital immediately prior to [REDACTED] and [REDACTED] of our issued share capital immediately after [REDACTED] (assuming [REDACTED] is not exercised).

(3) Lily Charm holds 100% of issued share capital of Tai Shing International, thus Lily Charm is deemed to be interested in the [REDACTED] Shares held by Tai Shing International.

(4) TMF (Cayman) Ltd. is deemed to be interested in the shares of Tai Shing International held by Lily Charm by virtue of the fact that Lily Charm is wholly-owned by TMF (Cayman) Ltd. on the trusts of the Family Trust.

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<b>SUBSTANTIAL SHAREHOLDERS</b>
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Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of [REDACTED] and [REDACTED] (without taking into account of any Share which may be issued upon exercise of [REDACTED]), have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and any other member of our Group.

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<b>SHARE CAPITAL</b>
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**SHARE CAPITAL**

The authorized and issued share capital of our Company immediately following the completion of [REDACTED] (without taking into account any Shares which may be allotted and issued upon the exercise of [REDACTED]) will be as follows:

*Authorized share capital*

	<b>Nominal or Par Value US\$</b>
<u>3,000,000,000</u> Shares	<u>30,000,000</u>

*Issued share capital*

10,000 Shares in issue as at the date of this document	100
[REDACTED] Shares to be issued pursuant to [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued pursuant to [REDACTED]	[REDACTED]
[REDACTED] Total Shares issued and to be issued upon completion of the [REDACTED] and the [REDACTED]	[REDACTED]

**ASSUMPTIONS**

The above table assumes that the [REDACTED] and the [REDACTED] become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates as described below.

Assuming the [REDACTED] is exercised in full, then [REDACTED] additional Shares will be issued. In such circumstances, the issued share capital of our Company immediately after completion of the [REDACTED] and the [REDACTED] will be [REDACTED] divided into [REDACTED] Shares.

**MINIMUM PUBLIC FLOAT**

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of [REDACTED] and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the total issued share capital of our Company in the hands of the public (as defined in GEM Listing Rules).



## **SHARE CAPITAL**

### **RANKING**

The [REDACTED] will rank *pari passu* in all respects with all other Shares now in issue or to be issued as mentioned in this document, and will qualify in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this document save for any entitlement under the [REDACTED].

### **[REDACTED]**

Pursuant to the written resolutions of the Shareholder passed on [•], 2017, subject to the share premium account of our Company being credited as a result of the issue of [REDACTED] pursuant to the [REDACTED], our Directors are authorized to allot and issue a total of [REDACTED] Shares credited as fully paid at par to the holders of shares on the register of members of our Company at the close of business on the date immediately preceding the date on which the [REDACTED] becomes unconditional (or as it/they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of [REDACTED] of the sum of US\$[REDACTED] standing to the credit of the share premium account of our Company and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the [REDACTED]).

### **GENERAL MANDATE TO ISSUE [REDACTED]**

Subject to the [REDACTED] becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with an aggregate nominal value of not more than 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED] and the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorized to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue or any other share scheme or similar arrangement for the time being adopted by our Company or any Shares allotted in lieu of the whole or part of a dividend on shares of our Company in accordance with its Articles of Association or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the [REDACTED] and the [REDACTED].

This general mandate shall remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

## SHARE CAPITAL

- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate, please refer to the section headed “Statutory and General Information — A. Further Information about our Group — 3. Written Resolutions of the Shareholder” in Appendix V to this document.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the Shares issued and to be issued immediately following the completion of the [REDACTED] and the [REDACTED].

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules and all applicable laws. A summary of the relevant requirements in the A. GEM Listing Rules is set out in the section headed “Statutory and General Information — Further Information about our Group — 6. Securities repurchase mandate” in Appendix V to this document.

This mandate shall remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, please refer to the section headed “Statutory and General Information — A. Further Information about our Group — 6. Securities repurchase mandate” in Appendix V to this document.

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## **FINANCIAL INFORMATION**

*The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial information as of and for the two years ended December 31, 2015 and 2016, and in each case, the related notes set out in the “Accountants’ Report” in Appendix I to this document. Our audited consolidated financial information have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including but not limited to, those set forth under “Risk Factors” in this document.*

### **OVERVIEW**

We are a premium burial services provider in Langfang, Hebei province, China, with approximately 9.3% of the local burial services market in terms of revenue in 2016, according to the F&S Report. We seek to distinguish our burial services through comprehensive offerings of burial plot designs and pricing choices, which we believe enables us to meet diversified customer requirements in terms of preferences and budgets. We believe that the combination of our comprehensive offerings of burial services and our beautifully landscaped cemetery has allowed us to serve a diversified customer base and command a price premium for certain burial services we offer.

We have grown substantially since our inception in 2007. Our revenue for 2015 and 2016 was RMB24.4 million and RMB31.2 million, respectively, representing a year-on-year growth rate of 27.7%. Our net profit for 2015 and 2016 was RMB14.3 million and RMB16.2 million, respectively, representing a net profit margin of 58.7% and 51.9%, respectively, for the same years.

### **BASIS OF PRESENTATION**

In preparation for the [REDACTED], certain equity transactions and transfers have been processed among certain shareholders and our Group in the entities engaged in the core business through the Reorganization, which involved the (1) formation of our Company and the intermediate holding companies; (2) the insertion of our Company and the intermediate holding companies between the core business and the shareholders; and (3) the transfer of the legal ownership previously held through nominees to our Group’s entities. Upon the completion of the Reorganization on March 14, 2017, our Company became the holding company of our subsidiaries. The Reorganization has been arranged in a way that enables certain shareholders to maintain their respective beneficial ownership interests in the core business in the same manner before and after the Reorganization. For more details, see Note 2 to the “Accountants’ Report” in Appendix I to this document.

## FINANCIAL INFORMATION

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including but not limited to, those set forth below.

#### **Overall demand for our burial services**

Demand for our burial service and growth in our revenue are driven by the overall demand for burial services in Langfang and the Jing-Jin-Ji megalopolis at large. On the one hand, continual advances in medicine and increasing health consciousness leading to healthier lifestyles of the general public locally and nationwide is likely to result in longer life spans and lower the number of deaths per year. On the other, an increasingly aging population, ongoing urbanization which drives the growth of the disposal income, and favorable government policies that promote cremation are likely to drive the demand for burial services. A decline in the number of deaths may cause a decline in the burial services to be provided by us, which in turn may materially and adversely affect our business, financial condition and results of operations.

#### **Pricing of our burial services and our ability to maintain profit margins**

The prices we are able to obtain for our burial services affect our results of operations and financial condition. In determining the pricing of our burial services, we consider the following factors including customer preferences, headstone materials and construction, burial plot size and location, and our target profit margin. We market our artistic burial services as premium services to allow us to obtain a price premium over other burial services providers that focus on basic burial services. Furthermore, we operate in a highly localized and competitive market and the competition affects the price we are able to obtain for our burial services. For more details, see “Risk Factors — Risks Relating to Our Business and Industry — The burial services industry is becoming increasingly competitive.”

#### **Ability to acquire suitable land for future development**

The implementation of our growth strategies will depend in large part on our ability to acquire quality land at prices that can yield reasonable returns. Over recent years, land premiums have generally been increasing in China. It is widely expected that land premiums will continue to rise as the PRC economy continues to grow and demolition and resettlement costs continue to increase. If we expand our operation by acquiring land adjacent to our cemetery and/or other suitable targets elsewhere, we may be required to pay significantly higher land premiums. Our ability to acquire more land at reasonable prices is critical for our future growth and any inability to do so may materially and adversely affect our results of operations.

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## FINANCIAL INFORMATION

### **Access to and cost of financing**

We require capital investment for land acquisition and cemetery construction. Historically we have financed our capital requirements primarily through income generated from our operations. In the future, we expect to fund our capital expenditure, working capital and other cash requirements from cash generated from our operations, the net proceeds from the [REDACTED] and bank and other borrowings. Our ability to obtain financing and our cost of financing are affected by a number of factors including general economic conditions, our leverage ratios and changes in interest rates for bank borrowings. Our ability to secure financing and our cost of financing affect our ability to expand our business and implement our growth strategies.

### **CRITICAL ACCOUNTING POLICIES**

We have identified certain accounting policies which we believe are the most critical to our combined financial statements. Our significant accounting policies are set forth in detail in Note 4 to the “Accountants’ Report” in Appendix I to this document. These accounting policies require subjective and complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our combined financial statements. The estimates and associated assumptions are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. The key assumptions concerning the future, and other key sources of estimation uncertainty, that carry a significant risk of requiring a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed in more detail in Note 5 to the “Accountants’ Report” in Appendix I to this document. We review our estimates and underlying assumptions on an ongoing basis.

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<b>FINANCIAL INFORMATION</b>
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### CERTAIN INCOME STATEMENT ITEMS

The following table sets forth our combined statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			
	2015	% of total revenue	2016	% of total revenue
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	24,409	100.0%	31,179	100.0%
Cost of sales and services	<u>(4,906)</u>	<u>(20.1%)</u>	<u>(5,545)</u>	<u>(17.8%)</u>
Gross profit	19,503	79.9%	25,634	82.2%
Other income	4,241	17.4%	7,620	24.4%
Gain on fair value change of investment properties	130	0.5%	140	0.4%
Distribution and selling expenses	(2,986)	(12.2%)	(3,744)	(12.0%)
Administrative expenses	(2,550)	(10.4%)	(2,749)	(8.8%)
<b>[REDACTED]</b>	—	—	(1,429)	(4.6%)
Finance costs	<u>(429)</u>	<u>(1.8%)</u>	<u>(4,756)</u>	<u>(15.2%)</u>
Profit before taxation	17,909	73.4%	20,716	66.4%
Income tax expense	<u>(3,578)</u>	<u>(14.7%)</u>	<u>(4,523)</u>	<u>(14.5%)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	<u><u>14,331</u></u>	<u><u>58.7%</u></u>	<u><u>16,193</u></u>	<u><u>51.9%</u></u>

<b>FINANCIAL INFORMATION</b>
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**Revenue**

Our revenue for 2015 and 2016 was RMB24.4 million and RMB31.2 million, respectively. We derive a substantial portion of our revenue from burial services.

The following table sets forth our revenue by segment for the periods indicated:

	Year ended December 31,			
	2015		2016	
	Revenue	% of total	Revenue	% of total
	<i>RMB'000</i>	revenue	<i>RMB'000</i>	revenue
		%		%
Burial services				
— Sale of burial plots	20,454	83.8%	25,994	83.4%
— Ancillary services	1,425	5.8%	2,537	8.1%
Subtotal	21,879	89.6%	28,531	91.5%
Cemetery maintenance	2,530	10.4%	2,648	8.5%
Total	24,409	100.0%	31,179	100.0%

***Burial services***

Our burial services consist primarily of (1) the sale of burial plots, which includes the right to use the burial plots and headstones and ancillary products to be used on burial plots, and (2) ancillary services such as the organization and conducting of interment rituals, the design, construction and landscaping of the burial plots, and the engraving of inscriptions and ceramic photographs on the headstones. Burial services were the largest component of our revenue, representing 89.6% and 91.5% of our revenue for 2015 and 2016, respectively. Our revenue from burial services, in particular, the sale of burial plots, for a given period is dependent upon the number and the average selling price of burial plots sold and recognized as revenue during the period. The following table sets forth a breakdown of our revenue from the sale of burial plots for the periods indicated:

	Year ended December 31,							
	2015				2016			
	No. of units	Average	Revenue	% of	No. of units	Average	Revenue	% of
transferred	selling price	<i>RMB'000</i>	revenue	transferred	selling price	<i>RMB'000</i>	revenue	from burial
	<i>RMB/per</i>		from burial		<i>RMB/per</i>		from burial	services
	unit		services		unit		services	
			%				%	
Traditional	659	27,580	18,175	88.9%	776	31,168	24,187	93.0%
Artistic	21	108,523	2,279	11.1%	14	129,071	1,807	7.0%
Total	680	30,079	20,454	100.0%	790	32,904	25,994	100.0%



<b>FINANCIAL INFORMATION</b>
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Consistent with the local industry practice, we tightened our sales policy in December 2016 by adopting a new standardized sales contract. We recognize revenue from the sale of burial plots when the right to use the burial plots is transferred to the customers. Under the new contract, the right to use the burial plot is transferred to the customer when the contract is signed, while under the former contract, the right to use the burial plot is transferred to the customer when the interment of cremains occurs. As an interim measure, we entered into supplemental agreements with 168 existing customers to reflect this change prospectively and recognized RMB4.5 million in revenue from these existing customers in 2016.

Also see “— Certain Balance Sheet Items — Trade and other payables — Advance from customers.”

***Cemetery maintenance***

We provide ongoing cemetery maintenance services as an integral part of our burial services to maintain our beautifully landscaped cemetery. Customers pay for maintenance fees upfront when they sign the sales contracts to purchase the burial plots. Our revenue from cemetery maintenance was RMB2.5 million and RMB2.6 million in 2015 and 2016, respectively. Also see “— Certain Balance Sheet Items — Deferred Income.”

**Cost of sales and services**

Cost of sales and services consists primarily of the costs we incur in relation to the provision of our services. Our cost of sales and services for 2015 and 2016 was RMB4.9 million and RMB5.5 million, respectively. The following table sets forth information relating to our cost of sales and services by segment for the periods indicated:

	<b>Year ended December 31,</b>			
	<b>2015</b>		<b>2016</b>	
	<b>Cost of</b>	<b>% of total</b>	<b>Cost of</b>	<b>% of total</b>
	<b>sales and</b>	<b>cost of sales</b>	<b>sales and</b>	<b>cost of sales</b>
	<b>services</b>	<b>and services</b>	<b>services</b>	<b>and services</b>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Burial services	4,652	94.8%	5,127	92.5%
Cemetery maintenance	<u>254</u>	<u>5.2%</u>	<u>418</u>	<u>7.5%</u>
Total	<u><u>4,906</u></u>	<u><u>100.0%</u></u>	<u><u>5,545</u></u>	<u><u>100.0%</u></u>

Our cost of sales and services includes the following:

- headstone cost, which represented the cost of the headstones used for burial plots;
- land acquisition cost, which represented the cost to acquire land for development into our cemetery;

<b>FINANCIAL INFORMATION</b>
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- cemetery maintenance cost, which represented the cost for the ongoing landscaping and maintenance of our cemetery;
- burial-related cost, which represented cost for designs, headstone engraving, props and offerings for interment rituals, labor and other expenses incidental to the provision of burial service; and
- others, which represented land development and depreciation and amortization expenses relating to burial facilities.

The following table sets forth a breakdown of the cost of sales and services for the periods indicated:

	Year ended December 31,			
	2015		2016	
	Cost of sales and services	% of total cost of sales and services	Cost of sales and services	% of total cost of sales and services
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Headstone cost	3,934	80.2%	4,467	80.6%
Land acquisition cost	344	7.0%	370	6.7%
Cemetery maintenance cost	254	5.2%	418	7.5%
Burial-related cost	349	7.1%	246	4.4%
Others	<u>25</u>	<u>0.5%</u>	<u>44</u>	<u>0.8%</u>
Total	<u><u>4,906</u></u>	<u><u>100.0%</u></u>	<u><u>5,545</u></u>	<u><u>100.0%</u></u>

**Gross profit and gross profit margin**

Gross profit represents revenue less cost of sales and services. Our gross profit for 2015 and 2016 was RMB19.5 million and RMB25.6 million, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	Year ended December 31,			
	2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Burial services	17,227	78.7%	23,404	82.0%
Cemetery maintenance	<u>2,276</u>	<u>90.0%</u>	<u>2,230</u>	<u>84.2%</u>
Total	<u><u>19,503</u></u>	<u><u>79.9%</u></u>	<u><u>25,634</u></u>	<u><u>82.2%</u></u>

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Our overall gross profit margin for 2015 and 2016 was 79.9% and 82.2%, respectively. Our relatively high gross profit margins and net profit margins during the Track Record Period were primarily due to (1) the relatively high gross profit margins and net profit margins in the burial industry, (2) our ability to provide high-quality burial services, and (3) the relatively low land acquisition cost for our cemetery.

**Distribution and selling expenses**

Our distribution and selling expenses for 2015 and 2016 were RMB3.0 million and RMB3.7 million, respectively. Our distribution and selling expenses include the following:

- salary and staff costs, which represented salary and bonuses paid to employees of sales or marketing functions;
- commissions, which represented commissions paid to partnered funeral service providers for referring customers to us;
- advertising and promotion, which represented fees and expenses incurred in connection with cultural events and newspaper, television and Internet advertising and other promotional efforts; and
- others, which represented expenses incurred in connection with, among others, work-related travels, repairs, and utilities.

The following table sets forth a breakdown of our distribution and selling expenses for the periods indicated:

	Year ended December 31,			
	2015	2016	2015	2016
Distribution and selling expenses	Distribution and selling expenses	% of total distribution and selling expenses	Distribution and selling expenses	% of total distribution and selling expenses
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Salary and staff costs	1,802	60.3%	2,266	60.5%
Commissions	548	18.4%	649	17.3%
Advertisement and promotion	351	11.8%	481	12.8%
Others	285	9.5%	348	9.4%
Total	2,986	100.0%	3,744	100.0%

<b>FINANCIAL INFORMATION</b>
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**Administrative expenses**

Our administrative expenses for 2015 and 2016 were RMB2.6 million and RMB2.7 million, respectively. Our administrative expenses include the following:

- salary and staff costs, which represented salary and bonuses paid to employees of administrative functions;
- membership fees, which represented membership fees paid to civil affair bureaus at the local and provincial levels;
- depreciation and amortization expenses, which represented depreciation and amortization of buildings and office equipment;
- taxation expenses, which represented land use tax; and
- others, which represented primarily office-related costs and consulting fees.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			
	2015	2016	2015	2016
	Administrative expenses <i>RMB'000</i>	% of total administrative expenses %	Administrative expenses <i>RMB'000</i>	% of total administrative expenses %
Salary and staff costs	554	21.7%	724	26.3%
Membership fees	1,000	39.2%	1,010	36.7%
Depreciation and amortization	350	13.7%	349	12.7%
Taxation expenses	327	12.8%	323	11.8%
Others	<u>319</u>	<u>12.6%</u>	<u>343</u>	<u>12.5%</u>
Total	<u><u>2,550</u></u>	<u><u>100.0%</u></u>	<u><u>2,749</u></u>	<u><u>100.0%</u></u>

**[REDACTED] expenses**

We incurred RMB1.9 million expenses from professional advisers in connection with the preparation of the [REDACTED], of which RMB1.4 million was charged to our combined statements of profit or loss and other comprehensive income and the remaining balance of RMB0.5 million was recorded as prepayments..

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**Other income**

Other income consists of interest income on bank deposits, interest income on loan receivables, investment income from available-for-sale investments and rental income. Our other income for 2015 and 2016 was RMB4.2 million and RMB7.6 million, respectively. The following table sets forth a breakdown of our other income for the periods indicated:

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on bank deposits	22	34
Interest income on loan receivables	429	4,756
Investment income from available-for-sale investments	3,600	2,640
Rental income	190	190
Total	4,241	7,620

Interest income on loan receivables represented interest received on our loans to an independent third party. These loans were fully repaid in 2016. For details, see “— Certain Balance Sheet Items — Prepayments and other receivables.”

Investment income from available-for-sale investment represented dividend declared and paid by a minority investee. For details, see “Business — Investment Activities.”

Rental income was generated from a parcel of land leased to an independent third party for operation of funeral services. For details, see “Business — Properties.”

**Finance costs**

Finance costs represented interest expense on bank loans. Our finance costs for 2015 and 2016 were RMB0.4 million and RMB4.8 million, respectively.

These loans were fully repaid in 2016. For details, see “— Indebtedness.”

**Income tax expense**

Our income tax expense includes provision made for PRC enterprise income tax and deferred income tax during the year. Under the PRC enterprise income tax law and its implementing rules, our PRC operating subsidiary has been subject to the tax rate of 25.0% since January 1, 2008. For 2015 and 2016, our effective tax rates were 20.0% and 21.8%, respectively, which were lower than the applicable statutory tax rate, primarily due to the tax-free investment income from available-for-sale investments we received in 2015 and 2016.

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The following table sets forth our income tax expense for the periods indicated:

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Current enterprise income tax	3,545	4,488
Deferred tax	<u>33</u>	<u>35</u>
Total	<u><u>3,578</u></u>	<u><u>4,523</u></u>

We paid the outstanding tax liabilities for 2015 and expect to pay the outstanding tax liabilities for 2016 through the year-end tax settlement procedure (滙算清繳), which is required to be completed on or prior to May 31, 2017. We are not aware of any outstanding or potential dispute with any tax authorities during the Track Record Period.

## **RESULTS OF OPERATIONS**

### **Revenue**

Our revenue increased by 27.7% from RMB24.4 million in 2015 to RMB31.2 million in 2016, primarily driven by an increase in revenue from burial services. Our revenue from burial services increased by 30.4% from RMB21.9 million in 2015 to RMB28.5 million in 2016, primarily due to (1) a 16.2% increase in the total number of burial plots sold and recognized as revenue from 680 in 2015 to 790 in 2016, and (2) a 9.4% increase in the average selling price of burial plots sold and recognized as revenue from approximately RMB30,079 in 2015 to approximately RMB32,904 in 2016.

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

Our cost of sales and services increased by 13.0% from RMB4.9 million in 2015 to RMB5.5 million in 2016, primarily due to an increase in the cost of sales and services for burial services. Our cost of sales and services for burial services increased by 10.2% from RMB4.7 million in 2015 to RMB5.1 million in 2016, primarily due to an increase in the headstone cost from RMB3.9 million in 2015 to RMB4.5 million, generally consistent with an increase in the number of burial plots sold and recognized as revenue. Our cost of sales and services for cemetery maintenance increased from RMB0.3 million in 2015 to RMB0.4 million in 2016, primarily due to an increase in labor and consumables costs associated with ongoing landscaping and maintenance efforts.

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

As a result of the foregoing, our gross profit increased by 31.4% from RMB19.5 million in 2015 to RMB25.6 million in 2016. Our overall gross profit margin increased from 79.9% in 2015 to 82.2% in 2016.

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Our gross profit for burial services increased by 35.9% from RMB17.2 million in 2015 to RMB23.4 million in 2016. The gross profit margin for burial services increased from 78.7% in 2015 to 82.0% in 2016, primarily due to an increase in the average selling price of burial plots from RMB30,079 in 2015 to RMB32,094 in 2016.

The gross profit for cemetery maintenance was RMB2.3 million and RMB2.2 million in 2015 and 2016, respectively. The gross profit margin for cemetery maintenance decreased from 90.0% in 2015 to 84.2% in 2016, primarily due to an increase in labor and consumables costs associated with ongoing landscaping and maintenance efforts.

### **Distribution and selling expenses**

Our distribution and selling expenses increased by 25.4% from RMB3.0 million in 2015 to RMB3.7 million in 2016. This increase was primarily due to an increase in the salary and staff costs from RMB1.8 million in 2015 to RMB2.3 million in 2016 from an addition to our management team in 2016, and to a lesser extent, an increase in expenses from commissions paid to partnered funeral service providers and business promotion and development efforts.

### **Administrative expenses**

Our administrative expenses increased by 7.8% from RMB2.6 million in 2015 to RMB2.7 million in 2016. This increase was primarily due to an increase in salary and bonuses.

### **[REDACTED] expenses**

Our [REDACTED] expenses increased significantly from nil in 2015 to RMB1.4 million in 2016 primarily due to fees and expenses we incurred from professional advisers in connection with the preparation of the [REDACTED].

### **Other income**

Our other income increased by 79.7% from RMB4.2 million in 2015 to RMB7.6 million in 2016. This increase was primarily due to a significant increase in interest income on loans to an independent third party from RMB0.4 million in 2015 to RMB4.8 million in 2016.

### **Finance costs**

Our finance costs increased significantly from RMB0.4 million in 2015 to RMB4.8 million in 2016. This increase was primarily due to interest expenses incurred from certain one-year bank loans borrowed in October and December 2015.

### **Profit before taxation**

As a result of the foregoing, our profit before taxation increased by 15.7% from RMB17.9 million in 2015 to RMB20.7 million in 2016.



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**Income tax expense**

Our income tax expense increased by 26.4% from RMB3.6 million in 2015 to RMB4.5 million in 2016, generally consistent with the increase of our profit before taxation. Also see “— Certain Income Statement Items — Income tax expense.”

**Profit and total comprehensive income for the year**

As a result of the foregoing, our profit and total comprehensive income for the year increased by 13.0% from RMB14.3 million in 2015 to RMB16.2 million in 2016. Our net profit margin decreased from 58.7% in 2015 to 51.9% in 2016, primarily due to the fees and expenses incurred from professional advisers in connection with the preparation of the [REDACTED] in 2016.

**CERTAIN BALANCE SHEET ITEMS**

The following table sets forth our combined statements of financial position as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>		
Property and equipment	2,686	2,438
Investment properties	5,130	5,270
Cemetery assets	6,749	6,761
Available-for-sale investments	<u>53,000</u>	<u>53,000</u>
	<u>67,565</u>	<u>67,469</u>
<b>CURRENT ASSETS</b>		
Inventories	6,131	5,501
Loan receivables	86,599	—
Prepayments and other receivables	7,779	5,747
Amounts due from related parties	9,761	—
Bank balances and cash	<u>11,356</u>	<u>57,091</u>
	<u>121,626</u>	<u>68,339</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	32,807	30,909
Deferred income	2,598	2,962
Income tax payable	3,328	7,419
Bank borrowings	<u>77,000</u>	<u>—</u>
	<u>115,733</u>	<u>41,290</u>

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	<b>As of December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT ASSETS	<u>5,893</u>	<u>27,049</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>73,458</u>	<u>94,518</u>
NON-CURRENT LIABILITIES		
Deferred income	34,463	39,295
Deferred tax liabilities	<u>40</u>	<u>75</u>
	<u>34,503</u>	<u>39,370</u>
NET ASSETS	<u>38,955</u>	<u>55,148</u>
CAPITAL AND RESERVES		
Share capital	32,000	32,000
Reserves	<u>6,955</u>	<u>23,148</u>
Equity attributable to owners of the Company	<u>38,955</u>	<u>55,148</u>
TOTAL EQUITY	<u>38,955</u>	<u>55,148</u>

**Cemetery assets**

Cemetery assets consist of prepaid lease payments, cost of initial land development and cost of landscaping for the general public areas of the cemetery and are carried at the lower of cost less accumulated amortization and net realized value prior to the commencement of development of the cemetery. Amortization for cemetery assets is done on a straight-line basis over the estimated useful life of the cemetery assets and is recognized in our statements of profit or loss and other comprehensive income. Upon the commencement of development of cemetery assets into burial plots with the intention of sale in the ordinary course of business, the related carrying amounts of cemetery assets are transferred to inventory. Our cemetery assets were RMB6.7 million and RMB6.8 million as of December 31, 2015 and 2016, which reflected the combined effect of (1) the addition to our cemetery assets as a result of landscaping improvement and (2) amortization.

**Loan receivables**

Loan receivables represented (1) two unsecured loans we granted to an independent third party, with no fixed repayment term and an effective interest rate of 8.0% and 4.73%, respectively, and (2) certain interest-free and unsecured loans with no fixed repayment term to independent third parties. The balance of our loan receivables was RMB86.6 million as of December 31, 2015 and was fully repaid in 2016. Also see “— Indebtedness.”

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**Prepayments and other receivables**

The following table sets forth our prepayments and other receivables as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables	4,684	4,684
Staff loan receivables	2,609	—
Staff advance	158	190
Prepayments	131	—
Deferred listing expenses	—	476
Others	<u>197</u>	<u>397</u>
<b>Total</b>	<u><u>7,779</u></u>	<u><u>5,747</u></u>

Our prepayments and other receivables decreased by 26.1% from RMB7.8 million as of December 31, 2015 to RMB5.7 million as of December 31, 2016, primarily due to the settlement of staff loan receivables.

Other receivables represented receivables from an independent third party arising from our transfer of the right to the refund of the land acquisition cost from the local government for reclaiming a parcel of land previously granted to us prior to the Track Record Period. These receivables were interest-free and unsecured. The balance of other receivables was RMB4.7 million as of December 31, 2015 and 2016 and was fully settled in March 2017.

Staff loan receivables represented loans we granted to certain employees for personal use. These loans were interest-free, unsecured and did not have a fixed repayment term. The balance of these loans was RMB2.6 million as of December 31, 2015 and was fully repaid in 2016.

Staff advance represented advance to staff for work-related purposes. The balance of our staff advance was RMB0.1 million and RMB0.2 million as of December 31, 2015 and 2016, respectively.

Prepayments represented advance to our suppliers. The balance of our prepayments was RMB0.1 million and nil as of December 31, 2015 and 2016, respectively.

Deferred listing expenses represented advance to professional advisers in connection with the preparation of the [REDACTED]. The balance of our deferred listing expenses was nil and RMB0.5 million as of December 31, 2015 and 2016, respectively.

Others represented primarily rental fee receivables from an independent third party for leasing a parcel of land from us for funeral service operations. See “Business — Properties.”

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**Inventories**

Our inventories primarily consist of burial plots, headstone and others. The following table sets forth our inventories as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Burial plots	1,334	1,135
Headstone	4,028	3,408
Others	<u>769</u>	<u>958</u>
	<u><u>6,131</u></u>	<u><u>5,501</u></u>

The related carrying amounts of the cemetery assets attributable to the burial plots are transferred to inventory upon the commencement of development of cemetery assets into burial plots with the intention of sale in the ordinary course of business. Such development of cemetery assets into burial plots commences with identifying the appropriate cemetery assets on which the burial plots are to be constructed. Identifying such cemetery assets typically takes place a significant period of time before commencement of construction of the burial plots themselves. Cemetery assets will not continue to be amortized over the lease term after being transferred to inventory. Headstones are recognized as inventory when they are contracted for sale and set up in the cemetery. Inventories are transferred to cost when the customer obtains the right to use the burial plot. Our inventories decreased by 10.3% from RMB6.1 million as of December 31, 2015 to RMB5.5 million as of December 31, 2016, primarily due to the decrease in the number of headstones contracted and ready for sale but yet to be transferred to the customers.

The following table sets forth the average inventory turnover days during the Track Record Period:

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2016</b>
Average inventory turnover days <sup>(1)</sup>	<u>456</u>	<u>383</u>

(1) Average inventory turnover days is equal to the average inventory divided by costs of sales and services and multiplied by 365 days. Average inventory equals inventory at the beginning of the period plus inventory at the end of the period and divided by two.

We had relatively long inventory turnover days, primarily due to the timing difference between (1) the cemetery development and the headstones contracted for sale and set up in the cemetery and (2) the transfer of right to use the burial plots.

Our average inventory turnover days decreased from 456 days for 2015 to 383 days for 2016, primarily due to the decrease in average inventory level.

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The following table sets forth the breakdown of our aging analysis by inventory type during the Track Record Period:

	Less than one year <i>RMB'000</i>	One to two years <i>RMB'000</i>	Two to three years <i>RMB'000</i>	More than three years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As of December 31, 2015</b>					
Burial plots	—	—	—	1,334	1,334
Headstone	1,127	745	528	1,628	4,028
Others	86	—	—	683	769
	<u>1,213</u>	<u>745</u>	<u>528</u>	<u>3,645</u>	<u>6,131</u>
<b>Total</b>	<b><u>1,213</u></b>	<b><u>745</u></b>	<b><u>528</u></b>	<b><u>3,645</u></b>	<b><u>6,131</u></b>
<b>As of December 31, 2016</b>					
Burial plots	—	—	—	1,135	1,135
Headstone	1,016	385	361	1,646	3,408
Others	275	—	—	683	958
	<u>1,291</u>	<u>385</u>	<u>361</u>	<u>3,464</u>	<u>5,501</u>
<b>Total</b>	<b><u>1,291</u></b>	<b><u>385</u></b>	<b><u>361</u></b>	<b><u>3,464</u></b>	<b><u>5,501</u></b>

Inventories which aged more than three years primarily represented unsold burial plots and headstones, which reflected the timing difference between (1) the cemetery development or the headstone set up in the cemetery and contracted for sale and (2) the transfer of right to use the burial plots. We expect to fully recover the carrying amounts of the inventories when sold in the future.

As of the Latest Practicable Date, approximately RMB0.5 million, or 8.4%, of our inventories as of December 31, 2016 had been sold and recognized as cost of sales.

### **Trade and other payables**

The following table sets forth our trade and other payables as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,962	945
Advance from customers	23,949	21,003
Accrued expenses	5,500	6,000
Accrued [REDACTED] expenses	—	1,336
Others	1,396	1,625
	<u>32,807</u>	<u>30,909</u>
<b>Total</b>	<b><u>32,807</u></b>	<b><u>30,909</u></b>

### **Trade payables**

Our trade payables represented payables to our suppliers and contractors, such as headstone suppliers, landscaping contractors and construction contractors. For details, see “Business — Suppliers and Service Providers.” For our suppliers and service providers, we

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normally make payments to them in accordance with our contract terms. The payment terms of our suppliers vary depending on the types of products or services supplied. For example, for headstones, we typically make payment under a one-year credit term. The balance of our trade payables decreased by 51.8%, from RMB2.0 million as of December 31, 2015 to RMB0.9 million as of December 31, 2016, primarily due to more frequent settlement of trade payables to maintain stable business relationship with our suppliers.

The following table sets forth the average trade payables turnover days during the Track Record Period:

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2016</b>
Average trade payables turnover days <sup>(1)</sup>	<u>232</u>	<u>96</u>

(1) Average trade payables turnover days is equal to the average trade payables divided by costs of sales and services and multiplied by 365 days. Average trade payables equals trade payables at the beginning of the period plus trade payables at the end of the period and divided by two.

Our average trade payables turnover days decreased from 232 days for 2015 to 96 days for 2016, which was primarily due to more frequent settlement of trade payables in 2016 to maintain stable business relationship with our suppliers.

The table below sets forth the aging analysis of trade payables presented based on the invoice date as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,758	699
One to two years	149	42
Two to three years	—	149
Over three years	<u>55</u>	<u>55</u>
Total	<u>1,962</u>	<u>945</u>

As of the Latest Practicable Date, none of our trade payables as of December 31, 2016 was subsequently settled.

***Advance from customers***

Advance from customers represented the amount of payment made by our customers when they sign the sales contracts but before the right to use the burial plots is transferred. Consistent with the local industry practice, we tightened our sales policy in December 2016 by adopting a new standardized sales contract. Under the new contract, the right to use the burial plot is transferred to the customer when the contract is signed, while under the

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former contract, the right to use the burial plot is transferred to the customer when the interment of cremains occurs. As an interim measure, we entered into supplemental agreements with certain existing customers to reflect this change prospectively. Our advance from customers decreased by 12.3%, from RMB23.9 million as of December 31, 2015 to RMB21.0 million as of December 31, 2016, primarily due to the supplemental agreements signed following our adoption of the new sales policy in December 2016.

Our Directors confirm that during the Track Record Period, we did not have any material defaults in payment of trade and non-trade payables.

### ***Accrued expenses***

Accrued expenses represented certain membership fees payable to civil affair authorities at the local and provincial levels, for which we were not notified of specific payment due dates. The balance of our accrued expenses was RMB5.5 million and RMB6.0 million as of December 31, 2015 and 2016, respectively.

### ***Accrued [REDACTED] expenses***

Accrued [REDACTED] expenses represented the accrued fees and expenses from professional advisers in connection with the preparation of the [REDACTED]. The balance of our accrued [REDACTED] expenses was RMB1.3 million as of December 31, 2016.

### ***Other payables***

Other payables included the accrued salary to our employees and commissions to our partnered funeral service providers for referring customers to us. The balance of other payables was RMB1.4 million and RMB1.6 million as of December 31, 2015 and 2016, respectively.

### ***Available-for-sale investments***

Available-for-sale investments represented our minority investments in two independent third parties. For details, see “Business — Investment Activities.”

### ***Investment properties***

Investment properties represented the fair value of a parcel of land leased to an independent third party for rental income. For details, see “Business — Properties.”

### ***Deferred income***

Deferred income represented the portion of the payment received in connection with the provision of cemetery maintenance that has not been recognized as revenue in accordance with the revenue recognition policy and the nature of the business. Our deferred income increased by 14.0%, from RMB37.1 million as of December 31, 2015 to RMB42.3 million as of December 31, 2016, generally consistent with the increase in burial services sold during the relevant years.



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**Amounts due from related parties**

See “— Related Party Transactions.”

**Net current assets position**

The following table sets forth our assets and liabilities as of the dates indicated:

	<b>As of December 31,</b>		<b>As of</b>
	<b>2015</b>	<b>2016</b>	<b>February 28,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)
<b>CURRENT ASSETS</b>			
Inventories	6,131	5,501	4,909
Loan receivables	86,599	—	—
Prepayments and other receivables	7,779	5,747	7,617
Amounts due from related parties	9,761	—	—
Bank balances and cash	11,356	57,091	60,432
<b>TOTAL CURRENT ASSETS</b>	<b>121,626</b>	<b>68,339</b>	<b>72,958</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	32,807	30,909	32,560
Deferred income	2,598	2,962	3,054
Income tax payable	3,328	7,419	4,747
Bank borrowings	77,000	—	—
<b>TOTAL CURRENT LIABILITIES</b>	<b>115,733</b>	<b>41,290</b>	<b>40,361</b>
<b>NET CURRENT ASSETS</b>	<b>5,893</b>	<b>27,049</b>	<b>32,597</b>

Our net current assets increased from RMB5.9 million as of December 31, 2015 to RMB27.0 million as of December 31, 2016, primarily due to an increase in bank balances and cash resulting from the settlement of loan receivables and amounts due from related parties and generated from the operating activities, partially offset by the repayment of bank loans.

Our net current assets increased from RMB27.0 million as of December 31, 2016 to RMB32.6 million as of February 28, 2017, primarily due to an increase in bank balances and cash generated from the operating activities, partially offset by the partial settlement of the income tax payable.

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### SENSITIVITY ANALYSIS

For 2015 and 2016, the cost of headstones accounted for 80.2% and 80.6% of our total cost of sales and services, respectively. The following table sets forth a sensitivity analysis relating to our cost of headstones, illustrating the impact on our gross profit and gross profit margin had the price of headstones increased by 3%, 5% and 10% during the Track Record Period, the magnitude of which corresponds to the range of historical fluctuations in the unit cost of our most common type of headstones.

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2016</b>
Percentage change in gross profit		
3% increase in headstone cost	(0.6%)	(0.5%)
5% increase in headstone cost	(1.0%)	(0.9%)
10% increase in headstone cost	(2.0%)	(1.7%)
 Gross profit margin:		
Actual	79.9%	82.2%
3% increase in headstone cost	79.4%	81.8%
5% increase in headstone cost	79.1%	81.5%
10% increase in headstone cost	78.3%	80.8%

### LIQUIDITY AND CAPITAL RESOURCES

#### Overview

We have financed our working capital, capital expenditures and other capital requirements primarily through income generated from our operations. In the future, we expect to fund our capital expenditures, working capital and other capital requirements from cash generated from our operations, the net proceeds from the [REDACTED] and bank and other borrowings.

#### Cash flow

The following table sets forth a summary of our combined statements of cash flows for the periods indicated below:

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	18,294	21,193
Net cash generated from investing activities	18,334	106,298
Net cash used in financing activities	<u>(28,921)</u>	<u>(81,756)</u>
 Net increase in cash and cash equivalents	7,707	45,735
Cash and cash equivalents at beginning of the year	<u>3,649</u>	<u>11,356</u>
 Cash and cash equivalents at end of the year	<u><u>11,356</u></u>	<u><u>57,091</u></u>

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***Net cash generated from operating activities***

We generate our cash from operating activities primarily from rendering burial and cemetery maintenance services. We use our cash in operating activities primarily for headstone design and construction, land acquisition, cemetery development and construction, selling and distribution expenses and administrative expenses. Our net cash flow generated from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as interest income, finance cost, investment income from available-for-sale investments, amortization of cemetery assets, and gain on fair value change of investment properties, and the effects of changes in working capital, such as increases or decreases in advance from customers, prepayments and other receivables, deferred income and trade and other payables.

For 2016, our net cash generated from operating activities was RMB21.2 million, primarily due to (1) operating cash flows before movements in working capital of RMB18.5 million, (2) an increase in deferred income of RMB5.2 million relating to revenues from cemetery maintenance, and (3) an increase in trade and other payables of RMB1.0 million relating primarily to expenses incurred from professional advisers in connection with the preparation for the [REDACTED], partially offset by (4) a decrease in advance from customers of RMB2.9 million relating to sales of burial plots before the transfer of the use right.

For 2015, our net cash generated from operating activities was RMB18.3 million, primarily due to (1) operating cash flows before movements in working capital of RMB14.7 million, (2) an increase in deferred income of RMB3.7 million relating to revenues from cemetery maintenance, and (3) an increase in advance from customers of RMB1.4 million relating to sales of burial plots before the transfer of the use right, partially offset by (4) a decrease in trade and other payables of RMB1.0 million relating primarily to trade payables to our suppliers.

***Net cash generated from investing activities***

Our net cash generated from investing activities reflects the results of our investing activities for the period, such as purchases of property and equipment, repayment and addition of loan receivables and staff loan receivables, interest income received, investment income received from available-for-sale investments, repayment and advance made to related parties.

For 2016, our net cash generated from investing activities was RMB106.3 million, primarily due to (1) repayment of loan receivables of RMB89.2 million relating primarily to loans we granted to an independent third party, (2) repayment of advance to related parties of RMB9.8 million relating primarily to an interest-free loan to a related party, (3) interest income of RMB4.8 million from our loans to an independent third party, and (4) dividend income of RMB2.6 million received from a minority investee.

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For 2015, our net cash generated from investing activities was RMB18.3 million, primarily due to (1) repayment of loan receivables of RMB80.2 million relating primarily to certain independent third parties and (2) dividend income of RMB3.6 million received from a minority investee, partially offset by (3) net loan receivables of RMB65.5 million relating primarily to loans granted to independent third parties.

***Net cash used in financing activities***

Our net cash used in financing activities reflects the results of our financing activities for the period, such as bank borrowings, repayment of bank borrowings, repayment of advance from independent third parties and interest expense paid to certain banks.

For 2016, our net cash used in financing activities was RMB81.8 million, primarily due to repayment of bank loans of RMB77.0 million.

For 2015, our net cash used in financing activities was RMB28.9 million, primarily due to repayment of advances from independent third parties of RMB105.5 million, partially offset by proceeds of RMB80.0 million from certain bank loans.

**Working capital**

Taking into account the financial resources available to us, including the expected cash generated from our operations and the estimated net proceeds from the [REDACTED], our Directors are of the opinion that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

**CONTRACTUAL OBLIGATIONS**

We did not have any contractual obligations as of December 31, 2015 and 2016.

**INDEBTEDNESS**

The following table sets forth our indebtedness as of the dates indicated:

	<b>As of December 31,</b>		<b>As of</b>
	<b>2015</b>	<b>2016</b>	<b>February 28,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured and guaranteed bank borrowings	<u>77,000</u>	<u>—</u>	<u>—</u>
Fixed-rate borrowings	50,000	—	—
Floating-rate borrowings	<u>27,000</u>	<u>—</u>	<u>—</u>
	<u>77,000</u>	<u>—</u>	<u>—</u>

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The balance of our bank loan of RMB50.0 million as of December 31, 2015 carried an effective interest rate of 8.0% per annum and was jointly guaranteed by Ms. LI Xingying, our executive Director, and certain other independent third parties. This loan was fully repaid in 2016.

The balance of our bank loan of RMB27.0 million as of December 31, 2015 carried an effective interest rate of 4.73%, which was equivalent to the benchmark interest rate published by the PBOC plus 100 basis points per annum and was jointly guaranteed by Ms. LI Xingying, Miss Wang and certain other independent third parties. This loan was fully repaid in 2016.

The principal amounts we drew from these bank loans were further advanced to an independent third party, who was responsible for reimbursing us for the interest payments and principal repayments associated with these bank loans. Also see “— Certain Balance Sheet Items — Loan receivables.”

As of February 28, 2017, the latest practicable date for purpose of this indebtedness statements, we 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, finance leases or hire purchase commitments or guarantees or material contingent liabilities. Our Directors confirm that, as of the Latest Practicable Date, save as disclosed in “Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Financial independence,” there was no material adverse change in our Company’s indebtedness and contingent liabilities since February 28, 2017.

### RELATED PARTY TRANSACTIONS

#### Amounts due from related parties

In the past, we granted unsecured, interest-free and demand loans to certain related parties, including Mr. Wang (the spouse of Ms. Zhao), Ms. Zhao and two companies wholly owned by Miss Wang (the daughter of Ms. Zhao), for personal use. The balance of such amounts due from related parties was RMB9.8 million as of December 31, 2015 and was fully repaid in 2016.

#### Guarantee by related parties

The bank loans we borrowed in 2015 were jointly guaranteed by Ms. LI Xingying, our executive Director, and Miss Wang. The balance of these loans was RMB77.0 million as of December 31, 2015 and was fully repaid in 2016. For details, see “— Indebtedness.”

#### Pledge of assets

We pledged certain prepaid lease payments of RMB5.3 million relating to our land use right to a trust company to secure certain loans obtained by two companies controlled by Ms. Zhao. The pledge was released and the associated loans were fully repaid in 2016.

## FINANCIAL INFORMATION

### Amounts due to related parties

See “Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Financial independence.”

For further details of our related party transactions, see Note 32 to the “Accountants’ Report” in Appendix I to this document. Our Directors confirm that these related party transactions were conducted on normal commercial terms that are considered fair and reasonable and would not distort our results of operations during the Track Record Period or make our historical results not reflective of our future performance.

### KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the date or for periods indicated:

	Year ended December 31,	
	2015	2016
Gross profit margin	79.9%	82.2%
Net profit margin	58.7%	51.9%
Return on equity	36.8%	29.4%
Return on total assets	7.6%	11.9%
Current ratio	1.1	1.7
Gearing ratio	197.7%	—
Interest coverage ratio	42.7	5.4

Gross profit margin is gross profit divided by revenue for each financial period and multiplied by 100.0%. Our gross profit margin for 2015 and 2016 was 79.9% and 82.2%, respectively. For details of our gross profit margin, see “— Results of Operations — Gross profit and gross profit margin.”

Net profit margin is profit and total comprehensive income divided by revenue for each financial period and multiplied by 100.0%. Our net profit margin for 2015 and 2016 was 58.7% and 51.9%, respectively. For details of our net profit margin, see “— Results of Operations — Gross profit and gross profit margin.”

Return on equity is profit and total comprehensive income divided by shareholders’ equity for each financial period and multiplied by 100.0%. Our returns on equity for 2015 and 2016 was 36.8% and 29.4%, respectively. The decrease was primarily due to the higher rate of increase in total equity of 41.6% as compared to net profit of 13.0%, resulting from the relatively smaller amount of total equity in 2015.

Return on total assets is profit and total comprehensive income divided by total assets for each financial period and multiplied by 100.0%. Our return on total assets for 2015 and 2016 was 7.6% and 11.9%, respectively. The increase was primarily due to the combined effect of increase in net profit and the decrease in total assets due to repayment of bank loans.

## **FINANCIAL INFORMATION**

Current ratio is current assets divided by current liabilities at the end of each financial period. Our current ratio was 1.1 and 1.7 as of December 31, 2015 and 2016, respectively. The increase was primarily due to the increase in bank balances and cash from net cash inflows generated from the operating activities and settlement of loan receivables and amounts due from related parties, partially offset by the full repayment of the bank loans in 2016.

Gearing ratio is total borrowings divided by total equity at the end of each financial period multiplied by 100.0%. Our gearing ratio as of December 31, 2015 and 2016 was 197.7% and nil respectively. The decrease was primarily due to the full repayment of bank loans in 2016.

Interest coverage ratio is profit before taxation and finance costs divided by finance costs for each financial period. Our interest coverage ratio for 2015 and 2016 was 42.7 and 5.4, respectively. The decrease was primarily due to a significant increase in finance cost from the bank loans we borrowed in October and December 2015.

### **[REDACTED] EXPENSES**

The total amount of [REDACTED] expenses, including the estimated underwriting fees, that will be borne by us in connection with the [REDACTED] is estimated to be approximately RMB20.3 million (based on the mid-point of our indicative [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised). During the Track Record Period, we incurred RMB1.9 million in [REDACTED] expenses, of which RMB1.4 million was charged to our combined statements of profit or loss and other comprehensive income and the remaining balance of RMB0.5 million was recorded as prepayments. We expect to incur further [REDACTED] expenses of approximately RMB18.4 million (including the [REDACTED] of approximately RMB2.1 million) upon the completion of the [REDACTED], out of which approximately RMB12.2 million will be charged to our combined or consolidated statements of profit or loss and other comprehensive income in 2017, and approximately RMB6.7 million, including RMB0.5 million already incurred and recorded as prepayments as at December 31, 2016 is expected to be deducted from the share premium.

### **MARKET RISKS**

We are exposed to various types of market risks, including interest rate risk, credit risk and liquidity risk.

#### **Interest rate risk**

We are exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. We are also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings carried at prevailing market interest rates based on or by reference to the interest rate promulgated by the People’s Bank of China. We currently do not have interest rate hedging policy. However, our management will consider hedging significant interest rate exposure should the need arise.



## FINANCIAL INFORMATION

### **Credit risk**

Our credit risk primarily relates to other receivables, amounts due from related parties and bank balances. The credit risk on bank balances is limited because the bank balances are maintained with large commercial banks in China. We manage credit risk by only dealing with reputable financial institutions.

As of December 31, 2015, we had concentration of credit risk of amounts due from related parties as 98.4% of which were due from Mr. Wang, husband of our ultimate Controlling Shareholder. In addition, we have concentration of credit risk of other receivables as 88.9% of which was due from an independent third party borrower. In order to minimize the credit risk on amounts due from related parties and other receivables, our management continuously monitors the credit quality and financial conditions of our debtors and the level of receivables from related parties to ensure that follow-up action is taken timely to recover overdue debts. In this regard, our management considers that our credit risk in respect of the above is significantly reduced as significant part of amount due from Mr. Wang and the entire receivables from the borrower were settled in 2016.

### **Liquidity risk**

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities. Our liquidity is primarily dependent on our ability to maintain adequate cash inflows from operations.

In the management of liquidity risk, our management monitors and maintains a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

### **CONTINGENT LIABILITIES**

As of December 31, 2016 and the Latest Practicable Date, we did not have any contingent liabilities.

### **OFF-BALANCE SHEET ARRANGEMENTS**

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging services with us.

### **DIVIDEND**

We did not pay dividends to our shareholders during the Track Record Period.

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## **FINANCIAL INFORMATION**

We are a holding company incorporated in the Cayman Islands. The payment and amount of our future dividends will depend on the availability of dividends received from our subsidiaries. Distributions from us and our subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or they may enter into in the future.

We currently do not have any pre-determined dividend payout ratio. The amount of dividends actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividends.

### **DISTRIBUTABLE RESERVES**

We did not have any distributable reserves as of December 31, 2016.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 17.15 to 17.21 of the GEM Listing Rules upon the [REDACTED] of the Shares on the Stock Exchange.

**FINANCIAL INFORMATION**

**PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS**

The following is an illustrative statement of our pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company which has been prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules for the purpose of illustrating the effect of the [REDACTED] as if the [REDACTED] had taken place on December 31, 2016.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 <sup>(1)</sup> <i>RMB'000</i>	Estimated net proceeds from the [REDACTED] <sup>(2)</sup> <i>RMB'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 <i>RMB'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 per Share <i>RMB<sup>(3)</sup>                      HK\$<sup>(4)</sup></i>	
Based on an [REDACTED] of HK\$[REDACTED] per Share	55,148	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	55,148	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(1) The audited combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 is based on the audited combined net assets of the Group attributable to the owners of the Company of RMB55,148,000 extracted from the Accountants' Report, the text of which is set out in Appendix I to this document.

(2) The estimated net proceeds from the [REDACTED] are based on [REDACTED] shares at the [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding amounts which have been charged to profit or loss up to December 31, 2016). No account has been taken of the Shares which may be issued pursuant to any exercise of [REDACTED], or any Share which may be issued or repurchased pursuant to the Company's mandates. The estimated net proceeds from the [REDACTED] are converted from Hong Kong dollars into RMB at an exchange rate of RMB0.8865 to HK\$1.00, which was the PBOC rate prevailing on March 23, 2017. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on [REDACTED] Shares in total, taking into account that 50,000 Shares in issue as of December 31, 2016, [REDACTED] Shares to be issued pursuant to [REDACTED] and [REDACTED] Shares to be issued pursuant to the [REDACTED] had been completed on December 31, 2016. It does not take into account of any Shares which may be issued upon the exercise of [REDACTED], or any Shares which may be issued or repurchased pursuant to the Company's general mandates.

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## FINANCIAL INFORMATION

- (4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is converted from RMB into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8865, which was the PBOC rate prevailing on March 23, 2017. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2016.

### RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3 to the “Accountants’ Report” in Appendix I to this document.

### DIRECTORS’ CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that they have performed sufficient due diligence on our Company to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2016, and there is no event since December 31, 2016 which would materially affect the information shown in the “Accountants’ Report” in Appendix I to this document.

### PROPERTY INTERESTS AND PROPERTY VALUATION

Vigers Appraisal & Consulting Limited, an independent property valuer, has valued our property interests as of December 31, 2016 and is of the opinion that the value of our property interests as at such date was an aggregate amount of RMB117.9 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this document.

The statement below shows the reconciliation of aggregate amounts of certain properties as reflected in the audited combined financial information as of December 31, 2016 as set out in Appendix I to this document with the valuation of these properties as of December 31, 2016 as set out in Appendix III to this document.

	<i>RMB’000</i>
<b>Net book value of the following properties as of December 31, 2016</b>	
Prepaid lease payments included in cemetery assets	5,634
Prepaid lease payments included in inventories	1,135
Net valuation surplus	<u>111,121</u>
 Valuation of properties owned by our Group as of December 31, 2016 as set out in the property valuation report in Appendix III to this document	   <u><u>117,890</u></u>

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## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

We are a premium burial services provider in Langfang, Hebei province, China and seek to strengthen our market position in Langfang and expand our business in the Jing-Jin-Ji megalopolis and beyond. Our Directors believe that it is necessary and appropriate for the [REDACTED] to fulfill our business plan and future growth, and that the [REDACTED] will facilitate the implementation of our business strategies. See “Business — Business Strategies” for a detailed description of our business objectives and strategies.

### USE OF PROCEEDS

Our Directors estimate that the net proceeds from the [REDACTED] (after deducting estimated expenses borne by our Company in connection with the [REDACTED], but assuming the [REDACTED] is not exercised) will be approximately [REDACTED] (equivalent to approximately [REDACTED]) based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]). The [REDACTED] is fully underwritten under the terms of the Underwriting Agreements. We intend that the net proceeds will be applied as follows:

	For the Latest Practicable Date to December 31, 2017 <i>RMB'000</i>	For the six months ending June 30, 2018 <i>RMB'000</i>	For the six months ending December 31, 2018 <i>RMB'000</i>	For the six months ending June 30, 2019 <i>RMB'000</i>	For the six months ending December 31, 2019 <i>RMB'000</i>	Total <i>RMB'000</i>
Strengthening our market position in Langfang	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expanding our business scope to provide vertically-integrated death care services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tapping further into the burial market in the Jing-Jin-Ji megalopolis & pursuing strategic alliance and acquisition opportunities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

We intend to use the net proceeds from the [REDACTED] for the purposes and in the amounts set out below:

- approximately [REDACTED] of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to strengthen our market position in Langfang;
- approximately [REDACTED] of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to expand our business scope to provide vertically-integrated death care services; and

## **FUTURE PLANS AND USE OF PROCEEDS**

- approximately [REDACTED] of the net proceeds, or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), to be used to tap further into the burial market in the Jing-Jin-Ji megalopolis and pursue strategic alliance and acquisition opportunities.

In the event that the [REDACTED] (assuming the [REDACTED] is not exercised) is set at the high-end or the low-end of the proposed [REDACTED], the net proceeds from the [REDACTED] will increase or decrease to, high-end of approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) and low-end of approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), after deducting related expenses, respectively. We intend to use the net proceeds based on the percentages disclosed above, regardless of whether the Shares are priced at the high-end or low-end of the proposed [REDACTED].

If the [REDACTED] is exercised in full, the estimated net proceeds from the [REDACTED] will increase to (1) approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), assuming that the final [REDACTED] is set at the lowest of the indicative [REDACTED], (2) approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), assuming that the [REDACTED] is set at the mid-point of the indicative [REDACTED], and (3) approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), assuming that the final [REDACTED] is set at the highest of the indicative [REDACTED], respectively. We intend to apply the additional net proceeds from the exercise of the [REDACTED] in the same proportions as disclosed above.

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including our internal resource, cash generated from our operations, debt financing and equity financing.

### **IMPLEMENTATION PLANS**

The implementation plans set forth below are based on certain bases and assumptions. See “— Implementation Plans — Bases and Assumptions” for more details. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in “Risk Factors.” We cannot assure you that our business objectives will be achieved or our business plans will be implemented according to the estimated time frame or at all.

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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We set out below the implementation plans to carry out our business strategy from the Latest Practicable Date to December 31, 2019.

**For the period from the Latest Practicable Date to December 31, 2017**

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"> <li>● Strengthening our market position in Langfang</li> </ul>	<ul style="list-style-type: none"> <li>● Upgrading the main entrance area and western internal road of our cemetery</li> <li>● Purchasing and upgrading more environmental protection facilities and machineries for gardening and interment rituals;</li> <li>● Commencing the development of the “Rose” Garden;</li> <li>● Designing family graves; and</li> <li>● Maintaining and expanding our cooperation with local funeral services providers and promoting our brand awareness with new advertisement boards</li> </ul>	<p>RMB[REDACTED]</p>
<ul style="list-style-type: none"> <li>● Expanding our business scope to provide vertically-integrated death care services</li> </ul>	<ul style="list-style-type: none"> <li>● Locating, leasing, designing and decorating premises for the operation of funeral services;</li> <li>● Commencing the business of our funeral services</li> <li>● Purchasing funeral vehicles; and</li> <li>● Recruiting and training funeral services staff</li> </ul>	<p>RMB[REDACTED]</p>



<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"> <li>● Tapping further into the burial market in the Jing-Jin-Ji megalopolis &amp; pursuing strategic alliance and acquisition opportunities</li> </ul>	<ul style="list-style-type: none"> <li>● Liaising and cooperating with more Beijing-based funeral services providers and mortuaries;</li> <li>● On-site promotion in Beijing; and</li> <li>● Preliminary site visiting and investigating several potential targets for acquisition, if there would be any suitable ones</li> </ul>	<p>RMB[REDACTED]</p> <p><b>Total: RMB[REDACTED]</b></p>

**For the period from January 1, 2018 to June 30, 2018**

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"> <li>● Strengthening our market position in Langfang</li> </ul>	<ul style="list-style-type: none"> <li>● Polishing an artificial hill in the northern part of our cemetery;</li> <li>● Designing tree burial and sea burial services;</li> <li>● Commencing the construction of family graves in crypt-style and hill-style; and</li> <li>● Promoting our brand by cooperation with various communities</li> </ul>	<p>RMB[REDACTED]</p>

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**FUTURE PLANS AND USE OF PROCEEDS**

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"><li>● Expanding our business scope to provide vertically-integrated death care services</li></ul>	<ul style="list-style-type: none"><li>● Operating our funeral services center and conducting marketing activities through public media about our funeral services</li></ul>	RMB[REDACTED]
<ul style="list-style-type: none"><li>● Tapping further into the burial market in the Jing-Jin-Ji megalopolis &amp; pursuing strategic alliance and acquisition opportunities</li></ul>	<ul style="list-style-type: none"><li>● Liaising with more Beijing-based funeral services providers;</li><li>● Establishing our first Beijing-based store for marketing purpose; and</li><li>● Conducting due diligence and entering into framework agreement with suitable target</li></ul>	RMB[REDACTED]
		<b>Total: RMB[REDACTED]</b>

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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**For the period from July 1, 2018 to December 31, 2018**

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"> <li>● Strengthening our market position in Langfang</li> </ul>	<ul style="list-style-type: none"> <li>● Upgrading the monitoring system and the main and northern internal roads in our cemetery;</li> <li>● Building a platform to conduct public memorial ceremonies;</li> <li>● Designing flowerbed burial services and building sculptures for our sea burial services;</li> <li>● Upgrading the gardening, designing and building the landscape connecting different gardens in our cemetery</li> <li>● Starting to provide tree burial services;</li> <li>● Further developing our artistic burial plots areas; and</li> <li>● Designing memorial for the body donors</li> </ul>	<p>RMB[REDACTED]</p>
<ul style="list-style-type: none"> <li>● Expanding our business scope to provide vertically-integrated death care services</li> </ul>	<ul style="list-style-type: none"> <li>● Expanding our funeral services business by establishing our first funeral services store in living community for marketing purpose; and</li> <li>● Purchasing automobile for business operations</li> </ul>	<p>RMB[REDACTED]</p>

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**FUTURE PLANS AND USE OF PROCEEDS**

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"><li>• Tapping further into the burial market in the Jing-Jin-Ji megalopolis &amp; pursuing strategic alliance and acquisition opportunities</li></ul>	<ul style="list-style-type: none"><li>• Liaising with more Beijing-based funeral services providers for cooperation;</li><li>• Operating our Beijing-based store for marketing purpose</li><li>• Commencing our cooperation with several Beijing-based funeral parlors; and</li><li>• Entering into the acquisition agreement and paying the first installment, if there would be any suitable target</li></ul>	RMB[REDACTED]
		<b>Total: RMB[REDACTED]</b>

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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**For the period from January 1, 2019 to June 30, 2019**

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"> <li>● Strengthening our market position in Langfang</li> </ul>	<ul style="list-style-type: none"> <li>● Building a new service center in our cemetery;</li> <li>● Constructing waterscape with traditional culture elements in our cemetery;</li> <li>● Designing and building low rising walls for the burial of cremains;</li> <li>● Commencing the development of the “Langfang” Garden; and</li> <li>● Building flowerbed burial plots and starting sea burial services</li> </ul>	<p>RMB[REDACTED]</p>
<ul style="list-style-type: none"> <li>● Expanding our business scope to provide vertically-integrated death care services</li> </ul>	<ul style="list-style-type: none"> <li>● Expanding our funeral services business by recruiting more funeral services staffs;</li> </ul>	<p>RMB[REDACTED]</p>
<ul style="list-style-type: none"> <li>● Tapping further into the burial market in the Jing-Jin-Ji megalopolis &amp; pursuing strategic alliance and acquisition opportunities</li> </ul>	<ul style="list-style-type: none"> <li>● Liaising and cooperating with the first Tianjin-based funeral services provider;</li> <li>● Operating the first and establishing our second Beijing-based store for marketing purpose; and</li> <li>● Paying the second installment of acquisition consideration, if there would be any suitable target</li> </ul>	<p>—</p>
		<b>Total: RMB[REDACTED]</b>

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<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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**For the period from July 1, 2019 to December 31, 2019**

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"> <li>● Strengthening our market position in Langfang</li> </ul>	<ul style="list-style-type: none"> <li>● Upgrading the ancillary facilities surrounding the waterscape in our cemetery;</li> <li>● Further developing the “Rose” Garden;</li> <li>● Designing and building national defence education memorials; and</li> <li>● Liaising and cooperating with several local living communities</li> </ul>	<p>RMB[REDACTED]</p>
<ul style="list-style-type: none"> <li>● Expanding our business scope to provide vertically-integrated death care services</li> </ul>	<ul style="list-style-type: none"> <li>● Expanding our funeral services business by establishing our second funeral services store in living community for our marketing purpose; and</li> <li>● Cooperating with Beijing-based funeral parlors and providing them with our outsourcing services</li> </ul>	<p>RMB[REDACTED]</p>

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
---

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of Net Proceeds from the [REDACTED]</b>
<ul style="list-style-type: none"> <li>● Tapping further into the burial market in the Jing-Jin-Ji megalopolis &amp; pursuing strategic alliance and acquisition opportunities</li> </ul>	<ul style="list-style-type: none"> <li>● Continuing to operate the two Beijing-based stores for marketing purpose</li> <li>● Liaising and cooperating with more Tianjin-based funeral services providers and mortuaries; and</li> <li>● Paying the final installment of acquisition consideration, if there would be any suitable target</li> </ul>	<p><b>[REDACTED]</b></p> <p style="text-align: right;"><b>Total: RMB[REDACTED]</b></p>

**Bases and assumptions**

The implementation plans formulated by our Directors are based on the following general assumptions:

- There will be no material changes in the existing political, legal, fiscal, social or economic conditions in China or in any other places in which we carry on our business or will carry on our business;
- There will be no material changes in the prospects of the burial services industry and the funeral services industry;
- There will be no material changes in industry trends and customer preferences due to significant change in local burial practices or otherwise that we are unable to accurately predict or address;
- We will have sufficient financial resources to meet the planned capital expenditure and business development plans during the period to which the business objectives relate;
- There will be no material changes in the existing government policies relating to the burial services industry or the funeral services industry or in the political, economic or market conditions in the places in which we operate or will operate;



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## **FUTURE PLANS AND USE OF PROCEEDS**

- There will be no material changes in the bases or rates of taxation in China;
- Our Group will be able to renew and obtain all relevant licenses required for our existing or proposed businesses;
- There will be no material changes in the funding required for each of the scheduled achievements as outlined in “— Future Plans — Implementation Plans”;
- We will be able to retain our key staff in our management team and recruit suitable staff for our expansion when and if necessary;
- We will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this document; and
- We continue our existing operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions.

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## UNDERWRITING

### UNDERWRITERS

**[REDACTED] Underwriters**

**[REDACTED]**

**[REDACTED] Underwriters**

**[REDACTED]**

### UNDERWRITING ARRANGEMENTS AND EXPENSES

**The [REDACTED]**

*[REDACTED] Underwriting Agreement*

Pursuant to the [REDACTED], our Company is [REDACTED] [REDACTED] [REDACTED] for subscription by the public in Hong Kong at the [REDACTED], on and subject to the terms and conditions of this document and [REDACTED].

Subject to, among other conditions, the Listing Division granting the [REDACTED] of and permission to deal in the Shares in issue and to be issued as mentioned herein (including the additional Shares to be issued pursuant to the exercise of the [REDACTED]) and to certain other conditions set out in the Underwriting Agreements being fulfilled, the [REDACTED] Underwriters have agreed severally to subscribe or procure subscribers for the [REDACTED] on the terms and conditions in this document, the [REDACTED] and the [REDACTED] Underwriting Agreement.

The [REDACTED] Underwriting Agreement is conditionally upon and subject to, among other things, the [REDACTED] Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its own terms or otherwise, prior to 8:00 a.m. (Hong Kong time) on the [REDACTED] Date.

#### **Grounds for termination**

**[REDACTED]**

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**UNDERWRITING**

[REDACTED]

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**UNDERWRITING**

**[REDACTED]**

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**UNDERWRITING**

[REDACTED]

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**UNDERWRITING**

[REDACTED]

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<b>UNDERWRITING</b>
---------------------

**[REDACTED]**

**Undertakings pursuant to the [REDACTED] Underwriting Agreement**

**[REDACTED]**



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**UNDERWRITING**

[REDACTED]

**UNDERWRITING**

**[REDACTED]**

**Undertakings to the Stock Exchange pursuant to the GEM Listing Rules**

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that save in connection with the **[REDACTED]**, no further Shares or securities will be issued by our Company within six months from the **[REDACTED]** Date (whether or not such issue of Shares or securities will be completed within six months from the **[REDACTED]** Date) except in the circumstances permitted pursuant to Rule 17.29 of the GEM Listing Rules.

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that they shall not and shall procure that the relevant registered holder(s) shall not:

- (a) during the First Six-month Period dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this document to be the beneficial owner; or

## UNDERWRITING

- (b) during the Second Six-month Period dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances he/she/it would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, our Controlling Shareholders have also undertaken to the Stock Exchange and our Company to comply with the following requirements:

- (a) in the event that he/she/it pledges or charges any direct or indirect interest in the relevant Shares in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date of this document and ending on the date on which the Second Six-month Period expires, he/she/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in Shares under paragraph (a) above, he/she/it must inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will inform the Stock Exchange as soon as it has been informed of such matters and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

### **The [REDACTED]**

In connection with the [REDACTED], it is expected that our Company, our Controlling Shareholders and our executive Directors, will enter into the [REDACTED] Underwriting Agreement with, among others, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED] Underwriters.

Under the [REDACTED] Underwriting Agreement, subject to the conditions set out therein, the [REDACTED] Underwriters are expected to severally agree to purchase or procure purchasers for the [REDACTED] Shares initially being [REDACTED] pursuant to the [REDACTED]. It is expected that the [REDACTED] Underwriting Agreement may be terminated on similar grounds as the [REDACTED] Underwriting Agreement. Potential investors shall be reminded that in the event that the [REDACTED] Underwriting Agreement is not entered into, the [REDACTED] will not proceed.

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## UNDERWRITING

We expect to grant to the [REDACTED], on behalf of the [REDACTED] Underwriters, the [REDACTED], to require us to allot and issue up to an aggregate of [REDACTED] additional Shares, representing 15% of the initial [REDACTED], at the same price per [REDACTED] under the [REDACTED] to solely cover over-allocations, if any, in the [REDACTED].

If the [REDACTED] is exercised, an announcement will be made on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.lfwt.com](http://www.lfwt.com).

Our Company, our Controlling Shareholders and our executive Directors will agree to indemnify the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED] Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the [REDACTED] Underwriting Agreement and any breach of the [REDACTED] Underwriting Agreement by us, our Controlling Shareholders or our executive Directors.

### **Underwriting commissions and expenses**

[REDACTED]

### **Underwriter’s interests in our Company**

Save for their interests and obligations under the Underwriting Agreements or as disclosed in this document, none of the Underwriters nor any of their respective associates is interested beneficially or non-beneficially in any shares or securities in our Company or any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares or securities in our Company or any member of our Group.

## UNDERWRITING

### **Compliance adviser’s agreement**

Under a compliance adviser’s agreement between Innovax Capital and our Company (“**Compliance Adviser’s Agreement**”), our Company appoints Innovax Capital and Innovax Capital agrees to act as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a period from the **[REDACTED]** Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the **[REDACTED]** Date, or until the Compliance Adviser’s Agreement is terminated, whichever is earlier.

### **Sole Sponsor’s independence and interest in our Company**

Innovax Capital, being the Sole Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

Save for the sponsor’s fee paid and to be paid to Innovax Capital as the Sole Sponsor to the **[REDACTED]**, its obligations under the Underwriting Agreements and the Compliance Adviser’s Agreement or as otherwise disclosed in this document, neither Innovax Capital nor any of its close associates has or may, as a result of the **[REDACTED]**, have any interest in our Company or in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of Innovax Capital who is involved in providing advice to our Company has or may, as a result of the **[REDACTED]**, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the **[REDACTED]**).

No director or employee of Innovax Capital has a directorship in our Company or any other company in our Group.

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**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

[REDACTED]

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**APPENDIX I**

**ACCOUNTANTS’ REPORT**

*The following is the text of a report set out on pages I-1 to I-40, received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong for the purpose of incorporation in this document.*

**Deloitte.**

**德勤**

**ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA WAN TONG YUAN (HOLDINGS) LIMITED AND INNOVAX CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of China Wan Tong Yuan (Holdings) Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-40, which comprises the combined statements of financial position as at 31 December 2015 and 2016, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-40 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [ • ] 2017 (the “Document”) in connection with the [REDACTED] of shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**Directors’ responsibility for the Historical Financial Information**

The directors of the Company (the “Directors”) are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants’ responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015 and 2016 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the [REDACTED] of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

*Dividends*

We refer to note 13 to the Historical Financial Information which states that no dividends has been paid by any companies comprising the Group in respect of the Track Record Period.

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**APPENDIX I**

**ACCOUNTANTS' REPORT**

*No historical financial statements for the Company*

No financial statements have been prepared for the Company since its date of incorporation.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
[30 June] 2017



**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The Historical Financial Information in this report was prepared based on the financial statements of Langfang Wantong Cemetery Co., Ltd. (“Langfang Wantong”) for the Track Record Period. The financial statements were audited by us in accordance with International Standards on Auditing (the “ISAs”) issued by International Auditing and Assurance Standards Board (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (“RMB’000”) except when otherwise indicated.

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>Year ended 31 December</b>	
		<b>2015</b>	<b>2016</b>
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	6	24,409	31,179
Cost of sales and services		<u>(4,906)</u>	<u>(5,545)</u>
Gross profit		19,503	25,634
Other income	7	4,241	7,620
Gain on fair value change of investment properties	15	130	140
Distribution and selling expenses		(2,986)	(3,744)
Administrative expenses		(2,550)	(2,749)
<b>[REDACTED]</b> expenses	9	—	(1,429)
Finance costs	8	<u>(429)</u>	<u>(4,756)</u>
Profit before taxation	9	17,909	20,716
Income tax expense	11	<u>(3,578)</u>	<u>(4,523)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u><u>14,331</u></u>	<u><u>16,193</u></u>

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**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**COMBINED STATEMENTS OF FINANCIAL POSITION**

		<b>At 31 December</b>	
		<b>2015</b>	<b>2016</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property and equipment	14	2,686	2,438
Investment properties	15	5,130	5,270
Cemetery assets	16	6,749	6,761
Available-for-sale investments	17	<u>53,000</u>	<u>53,000</u>
		<u>67,565</u>	<u>67,469</u>
<b>CURRENT ASSETS</b>			
Inventories	20	6,131	5,501
Loan receivables	21A	86,599	—
Prepayments and other receivables	21	7,779	5,747
Amounts due from related parties	32(a)	9,761	—
Bank balances and cash	22	<u>11,356</u>	<u>57,091</u>
		<u>121,626</u>	<u>68,339</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	23	32,807	30,909
Deferred income	25	2,598	2,962
Income tax payable		3,328	7,419
Bank borrowings	24	<u>77,000</u>	<u>—</u>
		<u>115,733</u>	<u>41,290</u>
<b>NET CURRENT ASSETS</b>		<u>5,893</u>	<u>27,049</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>73,458</u>	<u>94,518</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	25	34,463	39,295
Deferred tax liabilities	19	<u>40</u>	<u>75</u>
		<u>34,503</u>	<u>39,370</u>
<b>NET ASSETS</b>		<u>38,955</u>	<u>55,148</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	26	32,000	32,000
Reserves	27	<u>6,955</u>	<u>23,148</u>
Equity attributable to owners of the Company		<u>38,955</u>	<u>55,148</u>
<b>TOTAL EQUITY</b>		<u>38,955</u>	<u>55,148</u>

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**COMBINED STATEMENTS OF CHANGES IN EQUITY**

	<b>Attributable to owners of the Company</b>			
	<b>Share</b>	<b>Statutory</b>	<b>(Accumulated</b>	
	<b>capital</b>	<b>surplus</b>	<b>losses)/</b>	<b>Total</b>
	<b>RMB’000</b>	<b>reserve</b>	<b>retained</b>	<b>RMB’000</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>earnings</b>	<b>RMB’000</b>
At 1 January 2015	32,000	—	(7,376)	24,624
Profit and total comprehensive income for the year	—	—	14,331	14,331
Transfer to reserves	—	696	(696)	—
At 31 December 2015	32,000	696	6,259	38,955
Profit and total comprehensive income for the year	—	—	16,193	16,193
Transfer to reserves	—	1,619	(1,619)	—
At 31 December 2016	<u>32,000</u>	<u>2,315</u>	<u>20,833</u>	<u>55,148</u>

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**COMBINED STATEMENTS OF CASH FLOWS**

		<b>Year ended 31 December</b>	
		<b>2015</b>	<b>2016</b>
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		17,909	20,716
Adjustments for:			
Interest income	7	(451)	(4,790)
Investment income from available-for-sale investments	7	(3,600)	(2,640)
Depreciation of property and equipment	14	350	349
Amortization of cemetery assets	16	196	215
Gain on fair value change of investment properties	15	(130)	(140)
Finance costs	8	429	4,756
Operating cash flows before movements in working capital		14,703	18,466
Increase in cemetery assets		(389)	(227)
Decrease in inventories		5	630
Increase/(decrease) in advance from customers		1,447	(2,946)
Decrease/(increase) in prepayments and other receivables		258	(577)
(Decrease)/increase in trade and other payables		(995)	1,048
Increase in deferred income		3,684	5,196
Cash generated from operations		18,713	21,590
Income tax paid		(419)	(397)
Net cash generated from operating activities		<u>18,294</u>	<u>21,193</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(404)	(101)
Loan receivables and staff loan receivables made		(65,503)	—
Repayment of loan receivables and staff loan receivables		80,200	89,208
Interest received		451	4,790
Investment income received from available-for-sale investments		3,600	2,640
Advance to a related party		(10)	—
Repayment from related parties		—	9,761
Net cash generated from investing activities		<u>18,334</u>	<u>106,298</u>
<b>FINANCING ACTIVITIES</b>			
New bank borrowings raised		80,000	—
Repayment of bank borrowings		(3,000)	(77,000)
Repayment of advance from third parties		(105,492)	—
Interest paid		(429)	(4,756)
Net cash used in financing activities		<u>(28,921)</u>	<u>(81,756)</u>
Net increase in cash and cash equivalents		7,707	45,735
Cash and cash equivalents at beginning of the year		<u>3,649</u>	<u>11,356</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash		<u><u>11,356</u></u>	<u><u>57,091</u></u>

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**NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

**1. GENERAL**

The Company was incorporated and registered in the Cayman Islands on 25 January 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The respective addresses of the registered office and the principal place of business of the Company are stated in the section headed “Corporate Information” of the Document. The principal activity of the Company is investment holding. The Group’s operating subsidiary is engaged in the sale of burial plots, provision of other burial-related services and provision of cemetery maintenance services (the “Core Business”).

The ultimate holding company and immediate holding company of the Company are Tai Shing International Investment Company Limited (“Tai Shing International”), a company which was incorporated in the British Virgin Islands (the “BVI”), and is ultimately controlled by Ms. Zhao Ying (the “Ultimate Controlling Shareholder”).

**2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standard Board (the “IASB”).

Historically, throughout the Track Record Period and before and after the group reorganization (the “Reorganization”), Langfang Wantong, the operating subsidiary of the Group, is controlled by the Ultimate Controlling Shareholder.

In preparation for the [REDACTED] of the Company’s shares on the GEM of the Stock Exchange (the “[REDACTED]”), the companies now comprising the Group underwent the Reorganization as described below.

- (i) On 18 January 2017, Wantong (HK) Company Limited (“Wantong HK”) was incorporated in Hong Kong. One share was allotted and issued to the initial subscriber, an independent third party, and then transferred to Ms. Zhao Ying, the Ultimate Controlling Shareholder of the Company, on 25 January 2017.
- (ii) On 25 January 2017, the Company was incorporated in the Cayman Islands with an authorized share capital of US\$500, consisting of 50,000 ordinary shares of US\$0.01 each. One share was allotted and issued to the initial subscriber, an independent third party, and then transferred to Tai Shing International on 1 February 2017. On the same day, the Company issued and allotted an additional 9,999 ordinary shares, credited as fully paid, to Tai Shing International at par value.
- (iii) On 27 January 2017, Shing Sheng International Limited (“Shing Sheng International”) was incorporated in the BVI as a wholly owned subsidiary of the Company. On 2 February 2017, Ms. Zhao Ying transferred her entire equity interests in Wantong HK to Shing Sheng International at consideration of HK\$1. Accordingly, Wantong HK became the wholly owned subsidiary of Shing Sheng International on 2 February 2017.
- (iv) On 1 February 2017, Tai Shing International was incorporated by Ms. Zhao Ying in the BVI.
- (v) On 2 March 2017, Langfang Wan Tong Yuan Enterprise Management Company Limited (“Wan Tong Yuan Management”) was established as a wholly-owned subsidiary of Wantong HK.
- (vi) On 14 March 2017, Wan Tong Yuan Management acquired the entire equity interest in Langfang Wantong from its equity shareholders with an aggregated cash consideration of RMB55,500,000. Accordingly, Langfang Wantong became the wholly owned subsidiary of Wan Tong Yuan Management. The acquisition consideration payable of RMB55,500,000 will be fully settled by the Group prior to the [REDACTED].

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Upon the completion of the Reorganization on 14 March 2017, the Company became the holding company of the subsidiaries now comprising the Group.

As details above, the Reorganization involves interspersing shell companies (including the Company, Shing Sheng International, Wantong HK and Wan Tong Yuan Management) between Langfang Wantong, the Group’s operating subsidiary, and its shareholders. Accordingly, the Historical Financial Information has been prepared on the basis as if the Company has always been the holding company of the companies now comprising the Group throughout the Track Record Period. The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows include the results and cash flows of the companies now comprising the Group and have been prepared as if the current group structure upon completion of the Reorganization had been in existence throughout the Track Record Period. The combined statements of the financial position of the Group as at 31 December 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganization had been in existence as at those dates.

### 3. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied International Accounting Standards (“IASs”), IFRSs, amendments and interpretations issued by the IASB which are effective for the Group’s financial year beginning on 1 January 2016 throughout the Track Record Period.

#### **New and amendments to IFRSs in use but not yet effective**

At the date of this report, the IASB has issued the following new and amendments to IASs, IFRSs and amendments to IFRSs have been issued which are not yet effective.

IFRS 9	<i>Financial Instruments</i> <sup>1</sup>
IFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i> <sup>1</sup>
IFRS 16	<i>Leases</i> <sup>2</sup>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>1</sup>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to IAS 7	<i>Disclosure Initiative</i> <sup>4</sup>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> <sup>4</sup>
Amendments to IAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
Amendments to IFRSs	<i>Annual Improvements to IFRS Standards 2014–2016 Cycle</i> <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as described below, the Directors anticipate that the application of the above new and amendments to IFRSs will have no material impact on the financial performance nor the financial positions of the Group.

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### **IFRS 9 *Financial Instruments***

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principle outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in the liability’s risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to financial liability’s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group’s financial assets. The Group’s available-for-sale investments, which currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortized cost. However, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.



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### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued *Clarification to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the financial statements to be issued in the future.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for investment properties which are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 “*Leases*”, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 “*Inventories*” or value in use in IAS 36 “*Impairment of assets*”.



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In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

**Basis of combination**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

**Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that the future economic benefits will flow to the Group and when specific criteria have been met each of the Group's activities as described below.

The Group enters into contracts with its customers for the provision of burial services, which include the sale of burial plots and cemetery maintenance services.

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Revenue from the sale of burial plots is recognized when the right to use burial plots has passed, at which time all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of the burial plots;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the burial plots sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the provision of cemetery maintenance services is deferred and amortized on a straight-line basis over the remaining service period. The contract price for the cemetery maintenance services represent the fair value of such services.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investment is recognized when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

**Property and equipment**

Property and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessor*

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

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### **Borrowing costs**

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### **Retirement benefit costs**

Payments to the state-managed retirement benefit scheme are charged as an expense when employees have rendered services entitling them to the contributions.

### *Short-term employee benefits*

Short term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when the employee rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave after deducting any amount already paid.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the combined statements of profit or loss and comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

**Impairment of tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

**Cemetery assets**

Cemetery assets consist of prepaid lease payments, cost of initial land development, and cost of landscaping for the general public areas of the cemetery and are carried at the lower of costs less accumulated amortization and net realizable value prior to the commencement of development of the cemetery. Amortization for cemetery assets is provided on a straight-line basis over the estimated useful life of the cemetery assets and is recognized in profit or loss.

Upon commencement of development of the cemetery with the intention of sale in the ordinary course of business of the Group, the related carrying amounts of cemetery assets are transferred to inventories.

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### **Inventories**

Inventories include cemetery assets developed and ready for sale, cemetery assets under development, and tombstones and urns. Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

### **Financial instruments**

Financial assets and financial liabilities are recognized in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### **Financial assets**

The Group's financial assets are classified into loans and receivables and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

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## **ACCOUNTANTS’ REPORT**

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, other receivables, amounts due from related parties and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

### *Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivable (b) held-to-maturity instruments or (c) financial assets at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised or is determined to be impaired, the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss. Interests earned whilst holding the available-for-sale investments are reported as interest income and are recognized in the combined statement of profit or loss as investment income. Dividend on available-for-sale investments are recognized in profit or loss when the Group’s right to receive the dividend is established.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for the investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as loan receivables, other receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss is recognized is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### **Financial liabilities and equity instruments**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognized at the proceeds received, net of direct issue costs.

#### *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

#### *Financial liabilities*

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

### **Derecognition**

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.



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The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**Estimated cost of sales**

The Group enters into contracts with its customers for the provision of burial services, which include the sale of burial plots and cemetery maintenance. The Group's sale of burial plots represents the rights to use those burial plots, and all sales contracts entered with the customers have a term of 20 years which is shorter than the terms of granted land use rights where the cemeteries are located. In the opinion of the Directors, customers may apply for renew upon expiration of the terms of the rights to use burial plots and the expected renewal fee to be paid by customers would be nominal. As a result, the Group recognized all relevant cost (including all relevant prepaid lease payments) of certain burial plots into such periods when they were sold.

**Estimated allowance for doubtful receivables**

The Group estimates allowances for doubtful debts based on an assessment of the recoverability of loan receivables, other receivables and amounts due from related parties. Allowances are applied to loan receivables, other receivables and amounts due from related parties where events or changes in circumstances indicated that the balances may not be collectible. The identification of doubtful receivables requires the estimation of future cash flows. Where the expectation of the recoverability of other receivables is different from the original estimate, such difference will impact the carrying value of loan receivables, other receivables, amounts due from related parties and allowance for doubtful debts in the year in which such estimate has changed. The carrying amount of loan receivables as at 31 December 2015 was RMB86,599,000 which were fully settled in 2016. The carrying amounts of prepayments and other receivables as at 31 December 2015 and 2016 were RMB7,779,000 and RMB5,747,000 respectively. The carrying amounts of amounts due from related parties as at 31 December 2015 were RMB9,761,000 and the aforesaid amounts due from related parties were fully settled during the year ended 31 December 2016. More details are set out in note 21A, note 21, and note 32(a).



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**Impairment of available-for-sale investments**

Available-for-sale investments are assessed at the end of each reporting period for objective evidence of impairment. If such evidence exists and has an impact which can be reliably measured on the estimated future cash flows of the available-for-sale investments, an impairment loss is recognized. In assessing the objective evidence at the end of each reporting period, the Group considers all available evidence, including financial position of the counterparty, as well as other factors such as information about the counterparty’s liquidity, business and financial risk exposures, to determine if there is objective evidence of impairment. The carrying amounts of available-for-sale investments as at 31 December 2015 and 2016 were RMB53,000,000. More details are set out in note 17.

**Investment properties**

Investment properties were stated at fair values based on the valuation performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain assumptions and estimates of market condition. In relying on the valuation report, the Directors have exercised their judgment and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group’s investment properties and the corresponding adjustments to the amount of gain or loss reported in profit or loss.

The carrying amounts of investment properties as at 31 December 2015 and 2016 were RMB5,130,000 and RMB5,270,000 respectively. More details are set out in note 15.

**6. REVENUE AND SEGMENTAL INFORMATION**

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

The Group’s operating and reporting segments are (i) sales of burial plots and provision of other burial-related services; and (ii) provision of cemetery maintenance services in the People’s Republic of China (the “PRC”).

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**Segment revenue and results**

*For the year ended 31 December 2015*

	<b>Sales of burial plots and provision of other burial- related services RMB’000</b>	<b>Provision of cemetery maintenance services RMB’000</b>	<b>Total RMB’000</b>
Segment revenue	<u>21,879</u>	<u>2,530</u>	<u>24,409</u>
Segment results	<u>17,227</u>	<u>2,276</u>	<u>19,503</u>
Other income			4,241
Gain on fair value change of investment properties			130
Distribution and selling expenses			(2,986)
Administrative expenses			(2,550)
Finance costs			<u>(429)</u>
Profit before taxation			<u><u>17,909</u></u>

*For the year ended 31 December 2016*

	<b>Sales of burial plots and provision of other burial- related services RMB’000</b>	<b>Provision of cemetery maintenance services RMB’000</b>	<b>Total RMB’000</b>
Segment revenue	<u>28,531</u>	<u>2,648</u>	<u>31,179</u>
Segment results	<u>23,404</u>	<u>2,230</u>	<u>25,634</u>
Other income			7,620
Gain on fair value change of investment properties			140
Distribution and selling expenses			(3,744)
Administrative expenses			(2,749)
[REDACTED] expenses			(1,429)
Finance costs			<u>(4,756)</u>
Profit before taxation			<u><u>20,716</u></u>

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 4. Segment results represents the gross profit attributable to each segment. This is the measure reported to the Group’s CODM for the purpose of resource allocation and performance assessment. There were no inter-segment revenue during the Track Record Period. No analysis of segment assets and liabilities is presented as it is not regularly reviewed by the Group’s CODM.

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**Geographical information**

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

**Information about major customers**

No single customer accounted for 10% or more of the Group’s revenue during each of the Track Record Period.

The Group’s revenue was derived from various products and services provided by the Group during the Track Record Period. The details are as follows:

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Sale of burial plots	20,454	25,994
Other burial-related services ( <i>note</i> )	1,425	2,537
Cemetery maintenance services	<u>2,530</u>	<u>2,648</u>
	<u>24,409</u>	<u>31,179</u>

*Note:* Other burial-related services represented revenues from miscellaneous services such as the organization and conducting of burial rituals, the design and landscaping of the burial sites and additional engraving fees.

Revenue derived from sales of burial plots is measured at the fair value of the consideration received or receivable, net of discount, and revenue derived from sales of the burial plots and provision of cemetery maintenance services are exempt from business tax and value added tax.

**7. OTHER INCOME**

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Interest income on bank deposits	22	34
Interest income on loan receivables	429	4,756
Investment income from available-for-sale investments	3,600	2,640
Rental income	<u>190</u>	<u>190</u>
	<u>4,241</u>	<u>7,620</u>

**8. FINANCE COSTS**

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Interests on bank borrowings	<u>429</u>	<u>4,756</u>

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**9. PROFIT BEFORE TAXATION**

Profit before taxation has been arrived at after charging:

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Auditors’ remuneration	—	20
Depreciation of property and equipment	350	349
Amortization of cemetery assets (included in cost of sales and services)	196	215
	<u>546</u>	<u>584</u>
Total depreciation and amortization		
Cost of inventories recognized as an expense	4,456	4,912
<b>[REDACTED]</b> expenses	—	1,429
Staff costs, including Directors’ remuneration ( <i>note 10</i> ):		
Salaries, wages and other benefits	1,944	2,526
Retirement benefits scheme contributions	412	490
	<u>2,356</u>	<u>3,016</u>
Total staff costs		

**10. DIRECTORS’ AND EMPLOYEE’S EMOLUMENTS**

**(a) Directors’ and chief executive’s emoluments**

Ms. Li Xingying and Mr. Huang Guangming were appointed as Directors on 21 March 2017. Ms. Zhao Ying was appointed as Non-executive director on 25 January 2017. Ms. Li Xingying is also the general manager of Langfang Wantong. The emoluments paid or payable to the Directors of the Company (including emoluments for their services as employee/directors of subsidiaries prior to becoming the Directors) by entities comprising the Group during the Track Record Period are as follows:

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Directors’ emoluments		
— Salaries and other benefits	50	50
— Discretionary performance-related bonus*	34	34
— Retirement benefits scheme contributions	8	10
	<u>92</u>	<u>94</u>
Total emoluments		

\* *Directors are entitled to bonus payments which are determined based on the duties and responsibilities of the Directors as well as the operating results of the Group.*

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	<b>Salaries</b> <i>RMB'000</i>	<b>Year ended 31 Contribution to retirement benefit scheme</b> <i>RMB'000</i>	<b>December 2015 Discretionary performance- related bonus</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Executive directors:				
Ms. Li Xingying	50	8	34	92
Mr. Huang Guangming (note 2)	—	—	—	—
Non-executive director:				
Ms. Zhao Ying	—	—	—	—
<b>Total</b>	<b>50</b>	<b>8</b>	<b>34</b>	<b>92</b>

	<b>Salaries</b> <i>RMB'000</i>	<b>Year ended 31 Contribution to retirement benefit scheme</b> <i>RMB'000</i>	<b>December 2016 Discretionary performance- related bonus</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Executive directors:				
Ms. Li Xingying	50	10	34	94
Mr. Huang Guangming (note 2)	—	—	—	—
Non-executive director:				
Ms. Zhao Ying	—	—	—	—
<b>Total</b>	<b>50</b>	<b>10</b>	<b>34</b>	<b>94</b>

*Notes:*

- (1) The directors’ emoluments shown above were for their services in connection with the management of the affairs of Langfang Wantong during the Track Record Period.
- (2) During the years ended 31 December 2015 and 2016, Ms. Zhao Ying and Mr. Huang Guangming received their emoluments from a fellow subsidiary of the Group, part of which was in respect of their services as employees to Langfang Wantong. No apportionment has been made as the Directors consider that it is impracticable to apportion these amounts between their services to Langfang Wantong and their services to the fellow subsidiary of the Group.

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**(b) Employee's emoluments**

The five highest paid individuals of the Group during each of the two years ended 31 December 2015 and 2016 included one Director whose payment is below HK\$1,000,000 for each of the years ended 31 December 2015 and 2016. Details of her emoluments are set out above. The emoluments of the remaining 4 individuals for the years ended 31 December 2015 and 2016 are as follows:

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Employees		
Salaries and other allowances	171	522
Retirement benefits scheme contributions	<u>29</u>	<u>28</u>

Their emoluments were within the following band:

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>Number of employees</i>	<i>Number of employees</i>
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the Directors nor the five highest paid individuals waived any emoluments during each of the two years ended 31 December 2016.

**11. INCOME TAX EXPENSES**

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Current enterprise income tax	3,545	4,488
Deferred tax ( <i>note 19</i> )	<u>33</u>	<u>35</u>
	<u>3,578</u>	<u>4,523</u>

The tax charge for each of the two years ended 31 December 2016 can be reconciled to the profit before taxation as follows:

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>17,909</u>	<u>20,716</u>
Tax at the applicable tax rate of 25%	4,477	5,179
Tax effect of expenses not deductible for tax purpose	1	4
Tax effect of income not taxable for tax purpose	<u>(900)</u>	<u>(660)</u>
Tax charge	<u>3,578</u>	<u>4,523</u>

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

**12. EARNINGS PER SHARE**

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganizations of the Group and the financial performance of the Group for the Track Record Period that is prepared on a combined basis as set out in note 2.

**13. DIVIDENDS**

No dividend has been declared or paid by any companies comprising the Group in respect of the Track Record Period.

**14. PROPERTY AND EQUIPMENT**

	<b>Buildings</b> <i>RMB’000</i>	<b>Leasehold improvements</b> <i>RMB’000</i>	<b>Motor vehicles</b> <i>RMB’000</i>	<b>Furniture, fixtures and equipment</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
<b>COST</b>					
At 1 January 2015	6,599	—	573	388	7,560
Additions	—	318	—	86	404
At 31 December 2015	6,599	318	573	474	7,964
Additions	—	—	84	17	101
At 31 December 2016	6,599	318	657	491	8,065
<b>DEPRECIATION</b>					
At 1 January 2015	(4,097)	—	(487)	(344)	(4,928)
Provided for the year	(284)	—	(53)	(13)	(350)
At 31 December 2015	(4,381)	—	(540)	(357)	(5,278)
Provided for the year	(284)	(16)	(13)	(36)	(349)
At 31 December 2016	(4,665)	(16)	(553)	(393)	(5,627)
<b>CARRYING VALUES</b>					
At 31 December 2015	2,218	318	33	117	2,686
At 31 December 2016	1,934	302	104	98	2,438

The above items of property and equipment are depreciated on a straight-line basis, taking into account their residual values, at the following rates per annum:

Buildings	Over the shorter of the remaining lease term of land and useful life of buildings of 20 years
Leasehold improvements	20.00%
Motor vehicles	16.16%
Furniture, fixtures and equipment	19.40%–32.33%

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**15. INVESTMENT PROPERTIES**

	<i>RMB’000</i>
<b>Fair value</b>	
At 1 January 2015	5,000
Gain on fair value change of investment properties	<u>130</u>
At 31 December 2015	5,130
Gain on fair value change of investment properties	<u>140</u>
At 31 December 2016	<u><u>5,270</u></u>

The Group’s property interests held under operating leases to earn rentals are measured using fair value model and is classified and accounted for as investment properties.

The fair values of the Group’s investment properties as at 31 December 2015 and 2016 were arrived at on the basis of valuation carried out by Vigers Appraisal & Consulting Ltd (a member of the Hong Kong Institute of Surveyors), an independent qualified professional valuer not connected with the Group. The address of Vigers Appraisal & Consulting Ltd is 10th Floor, the Grand Building, No.398 Kwun Tong Road, Kowloon, Hong Kong.

The Group engaged the third party qualified valuer to perform the valuation. The Directors work closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

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

In measuring the fair value of the properties, the highest and best use of the properties is their current use.



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The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized based on the degree to which the inputs to the fair value measurements is observable.

**At 31 December 2015**

<b>Investment properties held by the Group</b>	<b>Fair value hierarchy</b>	<b>Valuation technique(s) and key input(s)</b>	<b>Significant unobservable input(s)</b>	<b>Relationship of unobservable inputs to fair value</b>
Investment properties Completed (Carrying amount: RMB5,130,000)	Level 3	Direct comparison method The key inputs is: (1) Site unit rate	Site unit rate, using direct market comparable and taking into account of time, location and individual factors such as size and quantum of properties, of RMB487/sq.m.	An increase in the site unit rate used would result in a same percentage increase in the fair value measurement of the investment properties and vice versa.

**At 31 December 2016**

<b>Investment properties held by the Group</b>	<b>Fair value hierarchy</b>	<b>Valuation technique(s) and key input(s)</b>	<b>Significant unobservable input(s)</b>	<b>Relationship of unobservable inputs to fair value</b>
Investment properties Completed (Carrying amount: RMB5,270,000)	Level 3	Direct comparison method The key inputs is: (1) Site unit rate	Site unit rate, using direct market comparable and taking into account of time, location and individual factors such as size and quantum of properties, of RMB500/sq.m.	An increase in the site unit rate used would result in a same percentage increase in the fair value measurement of the investment properties and vice versa.

**Fair value measurements and valuation processes**

In estimating the fair value of the Group’s investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation of the Group’s investment properties. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs.

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**16. CEMETERY ASSETS**

	<b>Prepaid lease payments RMB'000</b>	<b>Landscape facilities RMB'000</b>	<b>Development costs RMB'000</b>	<b>Total RMB'000</b>
<b>COST</b>				
At 1 January 2015	8,557	—	830	9,387
Additions	<u>—</u>	<u>389</u>	<u>—</u>	<u>389</u>
At 31 December 2015	8,557	389	830	9,776
Additions	<u>—</u>	<u>227</u>	<u>—</u>	<u>227</u>
At 31 December 2016	<u>8,557</u>	<u>616</u>	<u>830</u>	<u>10,003</u>
<b>AMORTISATION</b>				
At 1 January 2015	(2,581)	—	(250)	(2,831)
Provided for the year	<u>(171)</u>	<u>(8)</u>	<u>(17)</u>	<u>(196)</u>
At 31 December 2015	(2,752)	(8)	(267)	(3,027)
Provided for the year	<u>(171)</u>	<u>(27)</u>	<u>(17)</u>	<u>(215)</u>
At 31 December 2016	<u>(2,923)</u>	<u>(35)</u>	<u>(284)</u>	<u>(3,242)</u>
<b>CARRYING VALUES</b>				
At 31 December 2015	<u>5,805</u>	<u>381</u>	<u>563</u>	<u>6,749</u>
At 31 December 2016	<u>5,634</u>	<u>581</u>	<u>546</u>	<u>6,761</u>

The prepaid lease payments have definite useful lives and amortized on a straight-line basis over the lease term of 50 years.

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

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

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

During the year ended 31 December 2015, the Group pledged certain of its prepaid lease payments to a trust company to secure loans obtained by certain fellow subsidiaries, which were controlled by the Ultimate Controlling Shareholder, details of which are set out in note 32. The aforesaid pledge was released during the year ended 31 December 2016 as the loans were fully repaid by the related parties.

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**17. AVAILABLE-FOR-SALE INVESTMENTS**

	<b>At 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments	<u>53,000</u>	<u>53,000</u>

The Group has 10% and 5.78% equity interests in Huimin Town Bank Co., Ltd of Anci District, Langfang City (廊坊市安次區惠民村鎮銀行股份有限公司) and Suburban Rural Credit Cooperatives of Langfang City (廊坊市城郊農村信用合作聯社) respectively. The Group is not able to assign any director to the board of directors of these investees to exercise significant influence over these investees. As such, these investments are classified as available-for-sale investments and measured at cost less impairment at the end of each reporting period because the ranges of reasonable fair value estimates are so significant that the Directors are of the opinion that the fair values cannot be reliably measured. The Group does not intent to dispose them in the near future.

**18. INTEREST IN SUBSIDIARIES**

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and the date of incorporation/ establishment	Issued and fully paid capital/registered capital	Shareholding/equity interests attributable to the Company as at			Principal activities	Notes
			At 31 December		At the date of this report		
			2015	2016			
Langfang Wantong	PRC 26 November 2007	RMB32,000,000	100%	100%	100%	Sales of burial plots, provision of other burial-related services and cemetery maintenance services	(a)
Wangtong HK	HK 18 January 2017	HK\$1	100%	100%	100%	Investment holding	(b)
Shing Sheng International*	BVI 27 January 2017	USD1	100%	100%	100%	Investment holding	(b)
Wan Tong Yuan Management	PRC 2 March 2017	USD10,000,000	100%	100%	100%	Investment holding	(b)
廊坊市萬桐園殯葬服務有限公司 (Langfang City Wantong Funeral Services Co., Ltd.)**	PRC 23 March 2017	RMB500,000	—	—	100%	Provision of funeral service	(b)

Notes:

\* Directly-held by the Company

\*\* English name for identification only

(a) The statutory financial statements of Langfang Wantong for the years ended 31 December 2015 and 2016 were prepared in accordance with relevant accounting policies and financial regulations applicable to entities established in the PRC (the “PRC GAAP”). The statutory financial statements of Langfang Wantong for the years ended 31 December 2015 and 2016 were audited by 廊坊中天建會計師事務所有限公司 (Langfang Zhong Tian Jian Certified Public Accountants Co., Ltd.), certified public accountants registered in the PRC.

(b) The entities have not carried on any business. No statutory audited financial statements have been prepared for the above subsidiaries since their respective dates of incorporation.

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**19. DEFERRED TAXATION**

The deferred tax liabilities recognized by the Group and movements thereon during the Track Record Period are as follows:

	<b>Fair value change on investment properties RMB’000</b>
At 1 January 2015	7
Charge to profit or loss	<u>33</u>
At 31 December 2015	40
Charge to profit or loss	<u>35</u>
At 31 December 2016	<u><u>75</u></u>

**20. INVENTORIES**

	<b>At 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Burial Plots	1,334	1,135
Tombstones	4,028	3,408
Others	<u>769</u>	<u>958</u>
	<u><u>6,131</u></u>	<u><u>5,501</u></u>

**21. PREPAYMENTS AND OTHER RECEIVABLES**

	<b>At 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Other receivables ( <i>note a</i> )	4,684	4,684
Staff loan receivables ( <i>note b</i> )	2,609	—
Staff advance	158	190
Prepayments	131	—
Deferred [REDACTED] expenses	—	476
Others	<u>197</u>	<u>397</u>
	<u><u>7,779</u></u>	<u><u>5,747</u></u>

*Notes:*

- (a) Other receivables represented receivables amounting to RMB4,684,000 from an independent third party, 廊坊市溥暢商貿有限公司 (Langfang Puchang Trading Co., Ltd). The aforesaid receivables were non-trade in nature, interest-free, unsecured and has been fully settled prior to the date of this report.
- (b) Staff loan receivables at 31 December 2015 were interest-free, unsecured and did not have fixed repayment term. These staff loan receivables were fully settled during 2016.

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**21A. LOAN RECEIVABLES**

The loan receivables as at 31 December 2015 included certain unsecured loans amounting to RMB50,000,000 and RMB27,000,000 granted to 唐山曹妃甸區圓方商貿有限公司 (Tangshan Caofeidian Yuanfang Trading Co.,Ltd (“Yuanfang Trading”)), an independent third party of the Group under two financing arrangements, and carried interest at 8% and Loan Prime Rate (“LPR”)+ 100 basis points (“bps”) respectively per annum. The remaining loan receivables of RMB9,599,000 as at 31 December 2015 were interest-free, unsecured and repayable on demand. During the year ended 31 December 2016, these loan receivables were fully settled.

**22. BANK BALANCES AND CASH**

Bank balances carry interest at market interest rate ranging from 0.35% to 0.40% per annum as at 31 December 2015 and 2016. Bank balances and cash as at 31 December 2015 and 2016 were all denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

**23. TRADE AND OTHER PAYABLES**

	<b>At 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	1,962	945
Advances from customers	23,949	21,003
Accrued expenses	6,896	7,625
Accrued [REDACTED] expenses	—	1,336
	<u>32,807</u>	<u>30,909</u>

Deposits from customers are in most cases received from customers before the delivery of cemetery and tombstones is made and provision of cemetery maintenance services. All sales and services are typically settled on a cash basis. No credit period is granted to customers for sale of burial plots and provision of cemetery maintenance services.

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

	<b>At 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	1,758	699
1 to 2 years	149	42
2 to 3 years	—	149
Over 3 years	55	55
	<u>1,962</u>	<u>945</u>

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**24. BANK BORROWINGS**

	At 31 December	
	2015	2016
	RMB'000	RMB'000
<b>Short term bank borrowings</b>		
Unsecured and guaranteed ( <i>note</i> )	77,000	—
	<u>77,000</u>	<u>—</u>
Total borrowings denominated in RMB:		
— at fixed rate ( <i>note a</i> )	50,000	—
— at floating rates ( <i>note b</i> )	27,000	—
	<u>77,000</u>	<u>—</u>

*Notes:*

- (a) As at 31 December 2015, bank loan of RMB50,000,000 carried at fixed interest rate of 8% per annum. This loan was jointly guaranteed by certain independent third parties, 廊坊市新郡商貿有限公司 (Langfang Xinjun Trading Co., Ltd) and its legal representative, Mr. Wu Wenhui, and Ms. Li Xingying, Director and the general manager of Langfang Wantong.
- (b) As at 31 December 2015, bank loan of RMB27,000,000 carried an interest of LPR + 100bps per annum and jointly guaranteed by Ms. Li Xingying, Director and chief executive officer of the Company, Ms. Wang Wei, daughter of the Ultimate Controlling Shareholder, and certain independent third parties, Mr. Chen Fengguo and 廊坊市溥暢商貿有限公司 (Langfang Puchang Trading Co., Ltd).

During the year ended 31 December 2016, the above loans were fully settled.

**25. DEFERRED INCOME**

Deferred income represents the portion of the revenue generated from the provision of cemetery maintenance services that has not been earned as revenue in accordance with the revenue recognition policy and the nature of the business.

	At 31 December	
	2015	2016
	RMB'000	RMB'000
Carrying amount analyzed as:		
Amounts shown under current liabilities	2,598	2,962
Amounts shown under non-current liabilities	34,463	39,295
	<u>37,061</u>	<u>42,257</u>

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The Group provides on-going cemetery maintenance services as part of the burial services to maintain the landscaped cemeteries and the large number of memorials that lie on the cemeteries.

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

During the two years ended 31 December 2015 and 2016, the Group generated revenue from the provision of cemetery maintenance services in the amount of approximately RMB2,530,000 and RMB2,648,000 respectively.

### **26. SHARE CAPITAL**

The issued share capital as at 31 December 2015 and 2016 represented the share capital of Langfang Wantong.

### **27. RESERVES**

The amounts of the Group’s reserves and the movements therein for each of the reporting periods are presented in the combined statements of changes in equity.

The principal reserve of the Group consists of statutory reserve. Pursuant to the relevant PRC rules and regulations, the subsidiary of the Group incorporated in the PRC is required to transfer no less than 10% of its profits after taxation, after offsetting any prior years’ loss as determined under the PRC GAAP, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders of the PRC subsidiary. Statutory reserve is non-distributable other than in liquidation and can be used to make good previous years’ losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

### **28. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern with maximizing the return to shareholders through the optimization of the debt and equity balance. The Group’s overall strategy remains unchanged over the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 24, net of cash and cash equivalents, and total equity of the Group, comprising share capital and reserves as disclosed in note 26 and note 27 respectively.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through raising of new capital, issue of new debt or the redemption of the existing debts.

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**29. FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

	<b>At 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
<b>Financial assets</b>		
<i>Loans and receivables:</i>		
Loan receivables	86,599	—
Other receivables	7,648	5,271
Amounts due from related parties	9,761	—
Bank balances and cash	<u>11,356</u>	<u>57,091</u>
	<u>115,364</u>	<u>62,362</u>
<i>Available-for-sale investments</i>		
Investments in unlisted entities	<u>53,000</u>	<u>53,000</u>
	<b>At 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
<b>Financial liabilities</b>		
<i>Liabilities at amortised cost:</i>		
Trade and other payables	8,841	9,869
Bank borrowings	<u>77,000</u>	<u>—</u>
	<u>85,841</u>	<u>9,869</u>

**Financial risk management objectives and policies**

The Group’s financial instruments consisted of available-for-sale investments, loan receivables, other receivables, amounts due from related parties, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**(i) Market risk**

The Group’s activities expose it primarily to the financial risks of interest rates.

There has been no change to the Group’s exposure to market risks or the manner in which it manages and measures the risk during the Track Record Period.

*Interest rate risk management*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 24) and loan receivables at fixed rate (see note 21(a)).



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The Group is also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, loan receivables and bank borrowings carried at prevailing market interest rates based on or by reference to the interest rate promulgated by the People’s Bank of China.

The Group currently does not have interest rate hedging policy. However, management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank deposits, loan receivables and bank borrowings at variable rate at the end of each of reporting periods. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting periods were outstanding for the whole year.

If interest rates on bank deposits had been 25 basis points higher and variable rate bank borrowings had been 50 basis points higher and all other variables were held constant, the Group’s profit for the year would increase by approximately RMB21,000 and RMB107,000 for the year ended 31 December 2015 and 2016 respectively.

**(ii) Credit risk**

At the end of each reporting periods, other than those financial assets whose carrying amounts best represent the maximum expose to credit risk, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group is due to failure to discharge an obligation by the counterparties as stated in the respective notes. The Group manages this credit risk by only dealing with reputable financial institutions.

The Group’s credit risk primarily relates to the loan receivables, other receivables, amounts due from related parties and bank balances. The credit risk on bank balances is limited because the bank balances are maintained with large commercial banks in the PRC.

As at 31 December 2015, the Group had concentration of credit risk of amounts due from related parties as 98.4% of which were due from Mr. Wang Jianjun, husband of the Ultimate Controlling Shareholder. In addition, the Group has concentration of credit risk of loan receivables as 88.92% of which was due from Yuanfang Trading as at 31 December 2015. In order to minimize the credit risk on amounts due from related parties and loan receivables, the Group’s management continuously monitors the credit quality and financial conditions of those debtors and the level of receivables from related parties, and loan receivables to ensure that follow-up action is taken timely to recover overdue debts. In this regard, the Group’s management considers that the Group’s credit risk in respect of the above is significantly reduced as significant part of amount due from Mr. Wang Jianjun and the entire receivables from Yuanfang Trading were settled during the year ended 31 December 2016.

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*(iii) Liquidity risk management*

In the management of liquidity risk, the Group’s management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group’s operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on the interest rate outstanding at the end of each of the reporting periods.

	<b>Weighted average interest rate %</b>	<b>Less than 1 year RMB’000</b>	<b>Total undiscounted cash flows RMB’000</b>	<b>Total carrying amount RMB’000</b>
At 31 December 2015				
<b>Non-derivative financial liabilities</b>				
Bank borrowings	4.73%–8%	81,756	81,756	77,000
Trade and other payables		<u>8,841</u>	<u>8,841</u>	<u>8,841</u>
		<u>90,597</u>	<u>90,597</u>	<u>85,841</u>
At 31 December 2016				
<b>Non-derivative financial liabilities</b>				
Trade and other payables		<u>9,869</u>	<u>9,869</u>	<u>9,869</u>

The fair value of financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

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**30. OPERATING LEASES**

**The Group as lessor**

The investment properties held by the Group for rental purpose have committed tenants for six years with fixed rental.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	<b>At 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Within one year	200	200
In the second to the fifth year, inclusive	<u>800</u>	<u>600</u>
	<u><u>1,000</u></u>	<u><u>800</u></u>

**31. RETIREMENT BENEFIT SCHEME**

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC Government. The Group is required to contribute 20% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the combined statements of profit or loss and other comprehensive income of approximately RMB412,000 and RMB490,000 for the years ended 31 December 2015 and 2016 respectively, represented contributions paid and/or payable to the scheme by the Group for the Track Record Period.

**32. RELATED PARTY TRANSACTIONS**

**(a) Amounts due from related parties**

	<b>At 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Mr. Wang Jianjun ( <i>note</i> )	9,600	9,600	—
Ms. Zhao Ying	<u>92</u>	<u>92</u>	<u>—</u>
	<u>9,692</u>	<u>9,692</u>	<u>—</u>
Fellow subsidiaries:			
豐盛亞洲有限公司 (Fengsheng Asia Co., Ltd)	59	59	—
廊坊豐盛企業管理諮詢有限公司 (Langfang Fengsheng Enterprise Management Consulting Co., Ltd)	<u>—</u>	<u>10</u>	<u>—</u>
	<u><u>9,751</u></u>	<u><u>9,761</u></u>	<u><u>—</u></u>

*Note:* Mr. Wang Jianjun is the husband of the Ultimate Controlling Shareholder.

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All amounts due from related parties are non-trade nature and were denominated in RMB, unsecured, interest free and repayable on demand. The aforesaid amounts due from related parties were fully settled during the year ended 31 December 2016.

	<b>Maximum amount outstanding</b>	
	<b>Year ended at 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Wang Jianjun	9,600	9,600
Ms. Zhao Ying	<u>92</u>	<u>92</u>
	<u>9,692</u>	<u>9,692</u>
Fellow subsidiaries:		
豐盛亞洲有限公司 (Fengsheng Asia Co., Ltd)	59	59
廊坊豐盛企業管理諮詢有限公司 (Langfang Fengsheng Enterprise Management Consulting Co., Ltd)	<u>10</u>	<u>10</u>
	<u>9,761</u>	<u>9,761</u>

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

The remuneration of Directors, who are also key management, is disclosed in note 10.

**(c) Guarantee by related parties**

As disclosed in note 24, as at 31 December 2015, certain bank borrowings of the Group were jointly guaranteed by Ms. Li Xingying, the Director and the general manager of Langfang Wantong, and Ms. Wang Wei, daughter of the Ultimate Controlling Shareholder.

**(d) Pledged of assets for loans guaranteed to related parties**

During the year ended 31 December 2015, the Group pledged certain of its prepaid lease payments amounting to RMB5,341,000 to a trust company to secure loans obtained by 廊坊宏泰卓優房地產發展有限公司 (Langfang Vast Zhuoyou Development Co., Ltd) and 廊坊市城區房地產開發有限公司 (Langfang City Property Development Co., Ltd), fellow subsidiaries controlled by the Ultimate Controlling Shareholder. The aforesaid pledge was released during the year ended 31 December 2016 as the loans were fully settled by the above related parties.

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**33. EVENTS AFTER THE END OF THE REPORTING PERIOD**

- (i) The Group has undertaken series of transactions pursuant to the Reorganisation, details of which are set out in note 2.
- (ii) On [ • ] 2017, the authorised share capital of the Company was increased to US\$[30,000,000] by the creation of an additional [2,999,950,000] ordinary shares with a par value of US\$0.01.
- (iii) On [ • ] 2017, the Company has approved the issuance of [REDACTED] ordinary shares to Tai Shing International standing to the credit of the share premium of the Company conditional on the share premium account of the Company being credited as fully paid as a result of the [REDACTED] under the [REDACTED], details of which are set out in Appendix V to the Document.

**34. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2016.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**(A) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS**

The following is an illustrative statement of the unaudited pro forma adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 31 of Chapter 7 of the GEM Rules for the purpose of illustrating the effect of the [REDACTED] as if the [REDACTED] had taken place on December 31, 2016. The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company as at December 31, 2016 or at any future dates following the [REDACTED]. It is prepared based on the audited combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 as derived from the Accountants’ Report set out in Appendix I of this document and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 <sup>(1)</sup> <i>RMB'000</i>	Estimated net proceeds from the [REDACTED] <sup>(2)</sup> <i>RMB'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 <i>RMB'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 per Share <i>RMB<sup>(3)</sup>                      HK\$<sup>(4)</sup></i>	
Based on an [REDACTED] of HK\$[REDACTED] per Share	55,148	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	55,148	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 is based on the audited combined net assets of the Group attributable to the owners of the Company of RMB55,148,000 extracted from the Accountants’ Report, the text of which is set out in Appendix I to this document.
- (2) The estimated net proceeds from the [REDACTED] are based on [REDACTED] shares at the [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding amounts which have been charged to profit or loss up to December 31, 2016). No account has been taken of the Shares which may be issued pursuant to any exercise of [REDACTED], or any Share which may be issued or repurchased pursuant to the Company’s mandates. The estimated net proceeds from the [REDACTED] are converted from Hong Kong dollars into RMB at an exchange rate of RMB0.88650 to HK\$1.00, which was the PBOC rate prevailing on March 23, 2017. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at all.

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<b>APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on [REDACTED] Shares in total, taking into account that 50,000 Shares in issue as at December 31, 2016, [REDACTED] Shares to be issued pursuant to [REDACTED] and [REDACTED] to be issued pursuant to the [REDACTED] had been completed on December 31, 2016. It does not take into account of any Shares which may be issued upon the exercise of [REDACTED], or any Shares which may be issued or repurchased pursuant to the Company’s general mandates.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is converted from RMB into Hong Kong dollars at the rate of HK\$1.00 to RMB0.88650, which was the PBOC rate prevailing on March 23, 2017. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at December 31, 2016 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2016.

*THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.*

<b>APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
---

**[REDACTED]**



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**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**[REDACTED]**

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**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**[REDACTED]**

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**APPENDIX III**

**PROPERTY VALUATION**

**Vigers Appraisal & Consulting Limited  
International Assets Appraisal Consultants**

10th Floor, The Grande Building  
398 Kwun Tong Road  
Kowloon  
Hong Kong



[ • ] 2017

The Directors  
China Wan Tong Yuan (Holdings) Limited  
36<sup>th</sup> Floor, Tower Two  
Times Square  
No. 1 Matheson Street  
Causeway Bay  
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by China Wan Tong Yuan (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at December 31, 2016 (the “valuation date”) for the purpose of incorporating into the document.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interests, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

**APPENDIX III**

**PROPERTY VALUATION**

Our valuation has been made on the assumption that the owner sells the property interests on the open market in their existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests, we have relied on the legal opinion (the "PRC legal opinion") provided by the Company's PRC legal adviser, Jingtian & Gongcheng Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 8 to the Rules Governing the Listing of Securities on Growth Enterprise Market (GEM) issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at December 31, 2016 was HK\$1 = RMB0.896. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK\$) between that date and the date of this letter.

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**APPENDIX III**

**PROPERTY VALUATION**

We enclose herewith a summary of valuation and the valuation certificates.

Yours faithfully,  
For and on behalf of  
**Vigers Appraisal & Consulting Limited**  
**Raymond Ho Kai Kwong**  
*Registered Professional Surveyor (GP)*  
*MRICS MHKIS MSc(e-com)*  
China Real Estate Appraiser  
Managing Director

*Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty nine years' experiences in undertaking valuations of properties in Hong Kong and has over twenty two years' experiences in valuations of properties in the PRC.*

**APPENDIX III**

**PROPERTY VALUATION**

**SUMMARY OF VALUATION**

**Property interests held by the Group for sale and investment in the PRC**

<b>Property</b>	<b>Market Value in existing state as at December 31, 2016</b>
1. Langfang City Wan Tong Yuan located at north of Baganqu and west of Louzhuang Road, Langfang Economic and Technological Development Area, Langfang City, Hebei Province, the PRC	RMB112,620,000  (equivalent to approximately HK\$125,690,000)
2. The land parcel of Langfang City Funeral Parlour located at south of Guangming West Road and east of Dragon River, Anci District, Langfang City, Hebei Province, the PRC	RMB5,270,000  (equivalent to approximately HK\$5,880,000)
	<hr/>
	<b>Total</b>
	<b>RMB117,890,000</b>  (equivalent to approximately <b>HK\$131,570,000</b> )

**APPENDIX III**

**PROPERTY VALUATION**

**VALUATION CERTIFICATES**

**Property interests held by the Group for sale and investment in the PRC**

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at December 31, 2016</b>								
1. Langfang City Wan Tong Yuan located at north of Baganqu and west of Louzhuang Road, Langfang Economic and Technological Development Area, Langfang City, Hebei Province, the PRC	<p>The property comprises 2 parcels of land (Lot Nos. 01-09-43-0008-1 and 01-09-43-0008-2) with a total site area of approximately 176,076.10 sq.m and 6 buildings and various structures erected thereon completed in various stages between 2000 and 2015.</p> <p>According to the Company, the property has a total site area of approximately 166,569 sq.m. for burial plots and 9,507 sq.m. for columbaria and roads. In which, a site area of approximately 40,015 sq.m. for burial plots and 9,507 sq.m. for columbaria and roads have been developed and a site area of approximately 126,554 sq.m. for burial plots is undeveloped. Among the developed area of burial plots, approximately 32,744 sq.m. has been sold and 7,271 sq.m. is unsold. The property has a total site area of approximately 133,825 sq.m. available for future development of burial plots.</p> <p>The buildings have a total gross floor area of approximately 5,775 sq.m. The details are as follows:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><b>Building</b></th> <th style="text-align: right;"><b>Approximate Gross Floor Area</b> (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>5 blocks of Columbaria</td> <td style="text-align: right;">4,052</td> </tr> <tr> <td>Office</td> <td style="text-align: right;"><u>1,723</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u><u>5,775</u></u></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term expiring on November 1, 2049 for special purpose uses.</p>	<b>Building</b>	<b>Approximate Gross Floor Area</b> (sq.m.)	5 blocks of Columbaria	4,052	Office	<u>1,723</u>	Total:	<u><u>5,775</u></u>	The property is occupied for cemetery uses.	<p>RMB112,620,000</p> <p>(equivalent to approximately HK\$125,690,000)</p>
<b>Building</b>	<b>Approximate Gross Floor Area</b> (sq.m.)										
5 blocks of Columbaria	4,052										
Office	<u>1,723</u>										
Total:	<u><u>5,775</u></u>										

**APPENDIX III**

**PROPERTY VALUATION**

*Notes:*

1. According to 2 State-owned Land Use Rights Certificates (Document Nos.: Lang Kai Guo Yong (2013) Nos. 041 and 042), the land use rights of the property having a total site area of approximately 176,076.10 sq.m. have been granted to Langfang Wantong Cemetery Co., Ltd. (廊坊市萬桐公墓有限公司) (“Langfang Wantong”) for a term expiring on November 1, 2049 for special purpose uses.
2. In the valuation of the property, we have attributed no commercial value to 6 buildings which have not obtained Building Ownership Certificates. For reference purposes, we are of the opinion that the market value of these buildings as at the valuation date would be RMB3,920,000 (equivalent to approximately HK\$4,380,000) assuming relevant title ownership certificates have been obtained and they could be freely transferred.
3. Langfang Wantong is an indirect wholly-owned subsidiary of the Company.
4. The PRC legal opinion states, *inter alia*, the following:
  - (i) Langfang Wantong has obtained the land use rights of the property and is entitled to use, legally transfer, lease, mortgage or other legal means to handle the land use rights of the property within the land use rights term under the PRC Laws.
  - (ii) The property is free from any order, mortgage or mandatory acquisition.
  - (iii) Langfang Wantong has not obtained the relevant planning and building ownership certificates of the buildings. According to Lang Wantong, Lang Wantong is taking the post-application to the Housing Planning and Construction Bureau of Langfang Economic Development Zone (“Langfang Housing Planning and Construction Bureau”) for the planning and building ownership certificates of the 5 blocks of columbaria and intends to demolish the office building. Langfang Housing Planning and Construction Bureau has confirmed that there is no substantial legal impediment for Langfang Wantong to take the post-application for the planning and building ownership certificates of the 5 blocks of columbaria.
  - (iv) Langfang Wantong has not completed the relevant environment protection approval procedures for the buildings. Langfang Wantong has submitted the environmental impact registration form for the 5 blocks of columbaria and is in the process of completing the other relevant approval procedures.
5. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	State-owned Land Use Rights Certificate	Yes
(ii)	Building Ownership Certificate	No
6. The property was inspected by Mr. Wang Xu, China Real Estate Appraiser, on October 18, 2016.



**APPENDIX III**

**PROPERTY VALUATION**

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at December 31, 2016</b>
2. The land parcel of Langfang City Funeral Parlour located at south of Guangming West Road and east of Dragon River, Anci District, Langfang City, Hebei Province, the PRC	<p>The property comprises a parcel of land (Lot No. 01-06-34-0001) with a site area of approximately 10,254.53 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on November 4, 2055 for storage uses.</p>	<p>The property is leased to Langfang City Funeral Parlour for a term of 6 years from January 1, 2015 to December 31, 2020 at an annual rent of RMB200,000.</p>	<p>RMB5,270,000</p> <p>(equivalent to approximately HK\$5,880,000)</p>

*Notes:*

1. According to a State-owned Land Use Rights Certificate (Document No.: Lang Guo Yong (2007) No. 03491), the land use rights of the property having a site area of approximately 10,254.53 sq.m. have been granted to Langfang Wantong for a term expiring on November 4, 2055 for storage uses.
2. Langfang Wantong is an indirect wholly-owned subsidiary of the Company.
3. The PRC legal opinion states, *inter alia*, the following:
  - (i) Langfang Wantong has obtained the land use rights of the property and is entitled to use, legally transfer, lease, mortgage or other legal means to handle the land use rights of the property within the land use rights term under the PRC Laws.
  - (ii) The property is free from any order, mortgage or mandatory acquisition.
  - (iii) The lease agreement between Langfang Wantong and Langfang City Funeral Parlour is legal and valid.
4. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i) State-owned Land Use Rights Certificate	Yes
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5. The property was inspected by Mr. Wang Xu, China Real Estate Appraiser, on October 18, 2016.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 25, 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise.
- (b) Subject to the Articles, by special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

**2. ARTICLES OF ASSOCIATION**

The Articles were adopted on [ • ]. A summary of certain provisions of the Articles is set out below.

**(a) Shares**

*(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

*(ii) Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith.

<b>APPENDIX IV</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

*(iv) Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

<b>APPENDIX IV</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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The register of members may be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(v) Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

<b>APPENDIX IV</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors**

*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;

<b>APPENDIX IV</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.



<b>APPENDIX IV</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member who may be affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iv) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

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The Board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds or personal pension plans for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons. The Board may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object. The Board may do any of the above matters either alone or in conjunction with any such other company. Any Director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or employment.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

Except as otherwise provided by the Articles, the Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.



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No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practicably do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

**(c) Proceedings of the Board**

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

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**(d) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(e) Meetings of members**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

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- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

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All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(vi) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy 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 a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(f) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

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The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in the annual general meeting or by the Board if authority is so delegated by the members, and the remuneration of auditors appointed to fill a casual vacancy may be fixed by the Board.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

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Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment on the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or other distributions in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company or otherwise until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(h) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect during business hours any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.



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**(j) Procedures on liquidation**

Subject to the Cayman Companies Law, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(k) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on January 25, 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

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**(b) Share capital**

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In



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addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

<b>APPENDIX IV</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for a proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2014 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from [ • ].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

<b>APPENDIX IV</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2014 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

<b>APPENDIX IV</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

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**STATUTORY AND GENERAL INFORMATION**

**A. FURTHER INFORMATION ABOUT OUR GROUP**

**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on January 25, 2017.

We have established a principal place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and we [were registered] as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [•], 2017. Mr. LAM Koon Fai (林冠輝) has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

As we are incorporated in the Cayman Islands, our operation is subject to the Companies Law and the Memorandum of Association and the Articles of Association. A summary of certain parts of the Memorandum of Association and the Articles of Association and relevant aspects of the Companies Law is set forth in Appendix IV.

**2. Changes in share capital of our Company**

As at the date of incorporation, our Company had an authorized share capital of US\$500, divided into 50,000 shares of a par value of US\$0.01 each, of which one fully-paid share of US\$0.01 was issued and allotted to TMF Nominees Limited, the initial subscriber, on January 25, 2017 and was transferred to Tai Shing International on February 1, 2017. On the same date, our Company issued and allotted an additional 9,999 ordinary shares, credited as fully paid to Tai Shing International at par.

The following change in the share capital of our Company has taken place since the date of incorporation of our Company up to the date of this document:

On [•], 2017, the authorized share capital of our Company was increased to US\$30,000,000 by the creation of an additional 2,999,950,000 shares with a par value of US\$0.01 each.

Immediately following the completion of the [REDACTED] and the [REDACTED] and assuming the [REDACTED] is not exercised, the issued share capital of our Company will be US\$[REDACTED] divided into [REDACTED] Shares of par value US\$0.01 each, all fully paid or credited as fully paid and [REDACTED] Shares of par value US\$0.01 each will remain unissued.

Save as disclosed above and in this document, there has been no alteration in the share capital of our Company since its incorporation.

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**3. Written Resolutions of the Shareholders**

Written resolutions were passed by the Shareholders on [ • ], 2017 pursuant to which, among other matters:

- (a) the Company approved and adopted the Memorandum of Association and the Articles of Association conditional upon and with effect from the [REDACTED];
- (b) conditional on (aa) the Listing Division granting [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document; (bb) the [REDACTED] having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the dates as mentioned in this document; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this document:
  - (i) the [REDACTED] and the granting of the [REDACTED] were approved and the Directors were authorized to allot and issue the Shares pursuant to the [REDACTED] and such number of Shares as may be required to be allotted and issued upon the exercise of the [REDACTED];
  - (ii) conditional on the share premium account of our Company being credited as a result of the [REDACTED], the Directors were authorized to capitalize US\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue to holder of Shares whose name appears on the register of members of our Company at the close of business on [ • ], 2017 (or as it/they may direct) in proportion to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorized to give effect to such capitalization and distribution;
  - (iii) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or under the [REDACTED] or the [REDACTED] or upon the exercise of the [REDACTED], Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED], and (bb) the aggregate nominal amount of the share capital of the Company which



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**STATUTORY AND GENERAL INFORMATION**

may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (iv) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be [REDACTED] and recognized by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (v) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above; and
- (vi) the form and substance of each of the service agreements made between our executive Directors and us, and the form and substance of each of the letter of appointment made between each of our non-executive Director and independent non-executive Directors with us were approved.

**4. Group Reorganization**

The companies comprising our Group underwent a Reorganization to rationalize our Group’s structure in preparation for the [REDACTED]. For more details regarding the Reorganization, please see the section “History, Development and Reorganization”.

**5. Changes in share capital of subsidiaries of our Group**

The subsidiaries of our Company are listed in the “Accountants’ Report” in Appendix I to this document.

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Save as disclosed in the section headed "History, Development and Reorganization" in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document (or since the date of their incorporation for subsidiaries that were incorporated less than two years ago).

**6. Securities repurchase mandate**

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

***(a) Shareholders' approval***

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by the Shareholders on [ • ], 2017, the Repurchase Mandate was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED], such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association and applicable laws to be held, or the passing of an ordinary resolution of Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

***(b) Source of funds***

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association and the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Companies Law, any repurchases by our Company may be made out of profits of our Company out of its share premium account, out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles of Association and subject to the provisions of the Companies Law, out of capital.



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Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

***(c) Reasons for repurchases***

The Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

***(d) Funding of repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the applicable laws of the Cayman Islands and the GEM Listing Rules.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchases Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED], would result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

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***(e) General***

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum of Association and the Articles of Association, and the applicable laws of the Cayman Islands. Our Company shall procure the broker who effects the purchase to disclose to the Stock Exchange such information in relation to the purchase as the Stock Exchange may request.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

**B. FURTHER INFORMATION ABOUT OUR BUSINESS**

**7. Summary of material contracts**

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) [the Deed of Non-competition];
- (b) [the Deed of Indemnity]; and
- (c) [the [REDACTED] Underwriting Agreement].










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**8. Intellectual property rights of our Group**

*(a) Trademarks*

As at the Latest Practicable Date, our Group has applied for the registration of the following trademarks which are material to our business. The applicant for all of the following trademark is Langfang Wantong:

No.	Registered trademark	Place of application	Application Number	Application Date (dd/mm/yy)	Class
1	萬桐園	PRC	UIT170224.RG1	10/02/2017	6
2	萬桐園	PRC	UIT170225.RG1	10/02/2017	19
3	萬桐園	PRC	UIT170226.RG1	10/02/2017	20
4	萬桐園	PRC	UIT170227.RG1	10/02/2017	24
5	萬桐園	PRC	UIT170228.RG1	10/02/2017	26
6	萬桐園	PRC	UIT170229.RG1	10/02/2017	36
7	萬桐園	PRC	UIT170230.RG1	10/02/2017	44
8	萬桐園	PRC	UIT170231.RG1	10/02/2017	45
9		PRC	UIT170232.RG1	10/02/2017	6
10		PRC	UIT170233.RG1	10/02/2017	19
11		PRC	UIT170234.RG1	10/02/2017	20
12		PRC	UIT170235.RG1	10/02/2017	24
13		PRC	UIT170236.RG1	10/02/2017	26
14		PRC	UIT170237.RG1	10/02/2017	36
15		PRC	UIT170238.RG1	10/02/2017	44
16		PRC	UIT170239.RG1	10/02/2017	45
17	 萬桐園	Hong Kong	304043907	10/02/2017	6, 19, 20, 24, 26, 31, 35, 36, 44, 45

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**(b) Domain Names**

As at the Latest Practicable Date, our Group had registered the following domain name:

<b>Domain Name</b>	<b>Registrant</b>	<b>Expiry date</b>
www.lfwt.com	Langfang Wantong	March 28, 2024 January 9, 2018

Information contained in the above website does not form part of this document.

**9. Related party transactions**

Save as disclosed in Note 32 to the section headed “Accountants’ Report — Related Party Transactions” in Appendix I to this document, during the two years immediately preceding the date of this document, our Company has not engaged in any other related party transactions. As at the Latest Practicable Date, we did not have any related party transactions which will be continued or carried out by us after [REDACTED] which will be subject to reporting, announcement and shareholders’ approvals requirements under the GEM Listing Rules.

**C. FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**

**10. Directors**

**(a) Disclosure of interests of Directors**

Save as disclosed in the section headed “History, Development and Reorganization” in this document and in the paragraph headed “— C. Further Information about Directors and Shareholders” in this section, none of our Directors or any of their associated was engaged in any dealings with our Group during the Track Record Period.

**(b) Particulars of Directors’ service contracts**

*Executive Directors*

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the [REDACTED] (subject to termination in certain circumstances as stipulated in the relevant service contract). Each of the executive Directors is entitled to their respective basic salaries set out below.

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The current basic annual salaries of the executive Directors to their respective executive and management roles in our Group are as follows:

<b>Name</b>	<b>Approximate annual salary RMB</b>
Ms. LI Xingying	94,000
Mr. HUANG Guangming	—

Each of our executive Directors may also receive a year-end bonus in respect of each complete financial year of our Company. The bonus shall be of such amount as the Board may determine in its absolute discretion, and will be paid in arrears after the audited accounts of our Group in respect of the relevant financial year have been published.

*Non-executive Director*

Ms. ZHAO Ying, was appointed as a non-executive Director of our Company by a letter of appointment, pursuant to which she has agreed to act as non-executive Director for a term of three year with effect from March 2017 subject to certain termination provisions, including retirement by rotation as required by the Articles of Association and the GEM Listing Rules and termination by either party giving at least three months' written notice.

*Independent non-executive Directors*

Each of our independent non-executive Directors has entered into a letter of appointment for a term of three year commencing from [ • ], 2017 subject to certain termination provisions including retirement by rotation as required by the Articles of Association and the GEM Listing Rules and termination by not less than three months' notice in writing served by our independent non-executive Director or our Company.

Mr. CHEUNG Ying Kwan (張應坤), Dr. WONG Wing Kuen, Albert (王永權) and Mr. CHOI Hon Keung, Simon (蔡漢強), the independent non-executive Directors of our Company, are entitled to a director's fee of HK\$300,000 per annum. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service agreement with any member with our Company (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

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***(c) Directors remuneration***

- (i) The aggregate emoluments paid (including salaries, contribution to pension schemes, allowance) and benefits in kind granted by our Group to the Directors in respect of the two financial years ended December 31, 2015 and 2016 were approximately RMB92,000 and RMB94,000 respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding performance bonuses and discretionary bonuses) payable by our Group to and benefits in kind receivable by the Directors (including the non-executive Director and the independent non-executive Directors in their respective capacity as Directors) for the year ending December 31, 2017 are expected to be approximately RMB528,000.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the two years ended December 31, 2015 and 2016 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the two years ended December 31, 2015 and 2016.

***(d) Interests and/or short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations***

Immediately following completion of the [REDACTED] and the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED], the interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which

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will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, once the Shares are [REDACTED], will be as follows:

Name of Director	Capacity/nature of interests	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding
Ms. Zhao <i>(Note 2)</i>	Beneficial owner	[REDACTED]	[REDACTED]

*Note:*

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Ms. Zhao is the settlor, sole member of the Family Trust’s protective committee and a beneficiary of the Family Trust which holds the entire issued share capital of Tai Shing International through Lily Charm. Therefore, Ms. Zhao is deemed to be interested in the [REDACTED] Shares held by Tai Shing International immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), representing 100% of our issued share capital immediately prior to the [REDACTED] and [REDACTED] of our issued share capital immediately after the [REDACTED] (assuming the [REDACTED] is not exercised).

**11. Interest and/or short positions discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] and taking no account of any Shares which may be taken up under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of the [REDACTED], the following persons/entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under Section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more



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of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

***Interests in the Shares of our Company***

Name	Capacity/Nature of Interest	Immediately upon the completion of the [REDACTED] and the [REDACTED]	
		Number of Shares (Note 1)	Approximate Percentage of Shareholding
Ms. Zhao	Beneficial owner <sup>(2)</sup>	[REDACTED]	[REDACTED]
Tai Shing International	Legal owner and beneficial owner <sup>(2)(3)</sup>	[REDACTED]	[REDACTED]
Lily Charm	Legal owner and beneficial owner <sup>(2)(3)</sup>	[REDACTED]	[REDACTED]
TMF (Cayman) Ltd.	Trustee <sup>(4)</sup>	[REDACTED]	[REDACTED]

*Notes:*

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Ms. Zhao is the settlor, sole member of the Family Trust’s protective committee and a beneficiary of the Family Trust which holds the entire issued share capital of Tai Shing International through Lily Charm. Therefore, Ms. Zhao is deemed to be interested in the [REDACTED] Shares held by Tai Shing International immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), representing 100% of our issued share capital immediately prior to the [REDACTED] and [REDACTED] of our issued share capital immediately after the [REDACTED] (assuming the [REDACTED] is not exercised).
- (3) Lily Charm holds 100% of issued share capital of Tai Shing International, thus Lily Charm is deemed to be interested in the [REDACTED] Shares held by Tai Shing International.
- (4) TMF (Cayman) Ltd. is deemed to be interested in the shares of Tai Shing International held by Lily Charm by virtue of the fact that Lily Charm is wholly-owned by TMF (Cayman) Ltd. on the trusts of the Family Trust.

**12. Disclaimers**

Save as disclosed in this document:

- (a) and taking no account of any Shares which may be taken up or acquired under the [REDACTED], the [REDACTED], the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the [REDACTED] and the [REDACTED] will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either



**APPENDIX V**

**STATUTORY AND GENERAL INFORMATION**

- directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of our Directors or the chief executives of our Company has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are [REDACTED] on the GEM;
  - (c) none of our Directors nor any of the parties listed in the paragraph “— 20. Qualifications of experts” in this section has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the [REDACTED] either in his own name or in the name of a nominee;
  - (d) none of our Directors nor any of the parties listed in the paragraph “— 20. Qualifications of experts” in this section is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to business of our Group;
  - (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph “— 20. Qualifications of experts” in this section:
    - (i) is interested legally or beneficially in any securities of any member of our Group; or
    - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
  - (f) none of our Directors, their respective close associates or Shareholders of our Company interested in more than 5% of the issued share capital of our Company has any interests in the five largest suppliers and/or customers; and

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- (g) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and our Company.

**D. OTHER INFORMATION**

**13. Estate duty and indemnities**

We have been advised that no material liability for estate duty is likely to fall on us and that the Cayman Islands currently have no estate duty, inheritance tax or gift tax.

The [Controlling Shareholders have entered into] a deed of indemnity with our Company in favor of us to provide the indemnities in respect of taxation falling on any Group company resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) as well as any claims, penalties, fines, damages, losses, fees and expenses and liabilities relating to the non-compliance incidents of any member of our Group, conditional upon the [REDACTED] becoming unconditional.

**14. Litigation**

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

**15. Preliminary expenses**

The preliminary expenses incurred by our Company are approximately US\$5,250 and have been paid by our Controlling Shareholder, Ms. Zhao on behalf of our Company.

**16. Promoter**

Our Company has no promoter for the purpose of the GEM Listing Rules. No cash, securities or other benefit had been paid, allotted or given within two years preceding the date of this document, or proposed to be paid, allotted or given, to any promoter in connection with the [REDACTED] or the related transactions described in this document.

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**17. Application for [REDACTED] of Shares**

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document and any Shares which may be issued pursuant to the exercise of the [REDACTED].

All necessary arrangements have been made to enable the securities to be admitted into CCASS.

**18. Sole Sponsor's fees or commissions received**

The total amount of the sponsor's fees payable to the Sole Sponsor by our Company is HK\$4,000,000.

The Underwriters will receive an underwriting commission of [REDACTED]% of the aggregate [REDACTED] of all the [REDACTED], out of which they will pay any sub-underwriting commissions and other fees.

Based on an [REDACTED] of HK\$[REDACTED] (being the mid-point of [REDACTED] between HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED]), the Sole Sponsor's fee, the underwriting commission, [REDACTED] fees, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the [REDACTED] are estimated to amount to approximately HK\$[REDACTED] in total.

**19. Sole Sponsor**

The Sole Sponsor is independent of our Company pursuant to Rule 6A.07 of the GEM Listing Rules.

**20. Qualifications of experts**

The qualifications of the experts who have given opinions and/or whose names are included in this document are as follows:

<b>Name</b>	<b>Qualification</b>
Innovax Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Deloitte Touche Tohmatsu	Certified Public Accountants
Travers Thorp Alberga	Legal advisers to the Company as to Cayman Islands laws

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<b>Name</b>	<b>Qualification</b>
Jingtian & Gongcheng	Legal advisers to the Company as to PRC laws
Frost & Sullivan	Industry consultant
Vigers Appraisal & Consulting Limited	Property valuer and surveyor

**21. Consents of experts**

Each of the experts referred to in the paragraph headed “— 20. Qualification of experts” in this Appendix has given and has not withdrawn its written consent to the issue of this document with copies of its reports, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

As at the Latest Practicable Date and save as disclosed in this document, none of the experts named above has any shareholding interests in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe in our Company or any of its subsidiaries.

**22. Binding effect**

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**23. Miscellaneous**

- (a) Save as disclosed in this document, within two years immediately preceding the date of this document:
  - (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no founder or management or deferred Shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

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- (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (v) no commission has been paid or is payable (except commission to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this document, our Group has no outstanding convertible debt securities or debentures.
- (c) Our Directors confirm that:
- (i) save as disclosed in this document, there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2016 (being the date to which the latest audited combined financial statements of our Group were made up);
  - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
  - (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this document.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) Our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company for identification purposes only does not contravene the Companies Law.

**24. Bilingual document**

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong).

<b>APPENDIX VI</b>	<b>DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION</b>
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## **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 21. Consents of experts" in Appendix V to this document; and
- (b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about our Business — 7. Summary of material contracts" in Appendix V to this document.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Wilson Sonsini Goodrich & Rosati at Suite 1509, 15/F, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
- (c) the report in relation to the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;
- (d) the audited financial statements of Langfang Wantong for the years ended December 31, 2015 and 2016;
- (e) the Companies Law;
- (f) the letter of advice prepared by Travers Thorp Alberga, legal advisers to our Company as to the Companies Law, summarizing certain aspects of the Companies Law referred to in Appendix IV to this document;
- (g) the PRC legal opinion(s) dated the document date issued by Jingtian & Gongcheng, our legal advisers as to PRC laws;
- (h) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about our Business — 7. Summary of material contracts" in Appendix V to this document;
- (i) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 21. Consents of experts" in Appendix V to this document;

*THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.*

**APPENDIX VI**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE FOR INSPECTION**

- (j) the service contracts and the letters of appointment referred to in the section headed “Statutory and General Information — C. Further Information about Directors and Shareholders — 10. Directors — (b) Particulars of Directors’ service contracts” in Appendix V to this document;
- (k) the F&S Report; and
- (l) the property valuation report prepared by Vigers Appraisal & Consulting Limited.