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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)*

**(Stock Code: 8199)**

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. 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 that the companies listed on GEM are generally small and mid-sized companies, 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.**

*This announcement, for which the directors (the “Directors”) of China Wan Tong Yuan (Holdings) Limited 中國萬桐園(控股)有限公司 (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and no misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading or deceptive; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.*

The board of directors (the “Board”) of the Company hereby presents the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months (the “Quarterly Period”) and six months (the “Half-Yearly Period”) ended 30 June 2018 (the “Period”), together with the unaudited comparative figures for the corresponding periods in 2017 as follows:

## **FINANCIAL HIGHLIGHTS**

The Company has been listed on GEM since 27 September 2017.

The unaudited revenue of the Group amounted to approximately RMB25,387,000 (six months ended 30 June 2017: RMB24,446,000) for the Half-Yearly Period which represented an increase of RMB941,000 or 3.8% as compared with the corresponding period in 2017.

The profit attributable to owners of the Company was RMB8,627,000 (six months ended 30 June 2017: RMB10,032,000) for the Half-Yearly Period, which represented a decrease of RMB1,405,000 or 14.0% as compared with the same period last year.

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

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

*For the six months ended 30 June 2018*

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	4	10,495	11,528	25,387	24,446
Cost of sales and services		<u>(1,521)</u>	<u>(2,223)</u>	<u>(3,432)</u>	<u>(4,475)</u>
Gross profit		8,974	9,305	21,955	19,971
Other income	5	133	222	6,267	3,919
Other gains	6	2,664	35	508	35
Loss on fair value changes of financial assets at fair value through profit or loss	13	(13,945)	—	(13,945)	—
Gain on fair value change of investment properties	11	150	60	150	60
Distribution and selling expenses		(1,540)	(1,092)	(3,027)	(2,103)
Administrative expenses		(1,149)	(969)	(2,339)	(2,014)
Initial public offering expenses		<u>—</u>	<u>(2,626)</u>	<u>—</u>	<u>(6,680)</u>
(Loss)/profit before taxation	7	(4,713)	4,935	9,569	13,188
Income tax credit/(expenses)	8	<u>1,792</u>	<u>(1,616)</u>	<u>(942)</u>	<u>(3,156)</u>
(Loss)/profit and total comprehensive income for the period attributable to owners of the Company		<u>(2,921)</u>	<u>3,319</u>	<u>8,627</u>	<u>10,032</u>
(Losses)/earnings per share					
Basic (RMB)	9	<u>(0.003)</u>	<u>0.004</u>	<u>0.009</u>	<u>0.013</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*

		At <b>30 June</b> <b>2018</b> <i>RMB'000</i> <b>(unaudited)</b>	At 31 December 2017 <i>RMB'000</i> <b>(audited)</b>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property and equipment		<b>3,881</b>	2,631
Investment properties	11	<b>5,560</b>	5,410
Cemetery assets	12	<b>9,133</b>	9,092
Available-for-sale investments	3	—	71,300
Financial assets at fair value through profit or loss	13	<b>73,696</b>	—
		<hr/> <b>92,270</b>	<hr/> 88,433
<b>Current assets</b>			
Inventories		<b>2,807</b>	3,537
Prepayments and other receivables		<b>433</b>	312
Amounts due from related parties	19(a)	—	2,058
Bank balances and cash		<b>100,951</b>	81,720
		<hr/> <b>104,191</b>	<hr/> 87,627
<b>Current Liabilities</b>			
Trade and other payables	3&14	<b>9,040</b>	21,185
Amount due to a related party	19(a)	—	752
Contract liabilities	15	<b>11,138</b>	—
Deferred income	3	—	3,220
Income tax payable		<b>12,160</b>	11,679
		<hr/> <b>32,338</b>	<hr/> 36,836
<b>Net current assets</b>		<hr/> <b>71,853</b>	<hr/> 50,791
<b>Total assets less current liabilities</b>		<hr/> <b>164,123</b>	<hr/> 139,224

		At 30 June 2018	At 31 December 2017
	<i>Notes</i>	<b><i>RMB'000</i></b> <b>(unaudited)</b>	<b><i>RMB'000</i></b> <b>(audited)</b>
<b>Non-current liabilities</b>			
Contract liabilities	15	<b>51,866</b>	—
Deferred income	3	—	48,487
Deferred tax liabilities		<b>2,947</b>	2,310
		<u><b>54,813</b></u>	<u>50,797</u>
<b>Net assets</b>		<u><b>109,310</b></u>	<u>88,427</u>
<b>Capital and reserves</b>			
Share capital	16	<b>66,192</b>	66,192
Reserves		<b>43,118</b>	22,235
<b>Equity attributable to owners of the Company</b>		<u><b>109,310</b></u>	<u>88,427</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company				Total RMB'000
	Share capital RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	
At 1 January 2017 (audited)	<u>32,000</u>	<u>2,315</u>	<u>—</u>	<u>20,833</u>	<u>55,148</u>
Profit and total comprehensive income for the period	—	—	—	10,032	10,032
Issue of share capital of the Company (note 16)	1	—	—	—	1
Deemed distribution (note)	(32,000)	—	(23,500)	—	(55,500)
Transfer to reserves	—	1,284	—	(1,284)	—
At 30 June 2017 (unaudited)	<u>1</u>	<u>3,599</u>	<u>(23,500)</u>	<u>29,581</u>	<u>9,681</u>
At 31 December 2017 (audited)	<u>66,192</u>	<u>4,043</u>	<u>1,309</u>	<u>16,883</u>	<u>88,427</u>
Fair value gain on equity securities upon initial application of IFRS 9 (note 3.2.2)	—	—	—	12,256	12,256
At 1 January 2018 (restated)	<u>66,192</u>	<u>4,043</u>	<u>1,309</u>	<u>29,139</u>	<u>100,683</u>
Profit and total comprehensive income for the period	—	—	—	8,627	8,627
Transfer to reserves	—	891	—	(891)	—
At 30 June 2018 (unaudited)	<u>66,192</u>	<u>4,934</u>	<u>1,309</u>	<u>36,875</u>	<u>109,310</u>

*Note:* During the six months ended 30 June 2017, Langfang Wantongyuan Corporation Investment Co., Ltd. (formerly known as Langfang Wantongyuan Corporation Management Co., Ltd., a subsidiary of China Wan Tong Yuan (Holdings) Limited (“the Company”)) entered into an acquisition agreement to acquire the entire equity interest in Langfang Wantong Cemetery Co., Ltd. (“Langfang Wantong”) from its original shareholders of Langfang Wantong for a cash consideration of RMB55,500,000 which was accounted for as a deemed distribution.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>Net cash generated from operating activities</b>	<b>13,265</b>	<b>1,518</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,512)	(280)
Repayment of loan receivables, staff loan and other receivables	—	4,684
Interest received	68	224
Dividend income received from financial assets at FVTPL	6,104	3,600
Repayment from related parties	2,058	—
<b>Net cash generated from investing activities</b>	<b>6,718</b>	<b>8,228</b>
<b>FINANCING ACTIVITIES</b>		
Advance from related parties	—	1,905
Repayment to a related party	(752)	—
<b>Net cash (used in) generated from financing activities</b>	<b>(752)</b>	<b>1,905</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>19,231</b>	<b>11,651</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>81,720</b>	<b>57,091</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD REPRESENTED BY BANK BALANCES AND CASH</b>	<b>100,951</b>	<b>68,742</b>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2018*

### **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 shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 27 September 2017. The principal activity of the Company is investment holding. Its subsidiaries are primarily engaged in the sale of burial plots, provision of other burial-related services and provision of cemetery maintenance services.

The ultimate holding company and immediate holding company of the Company is 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”).

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

### **2. BASIS OF PREPARATION**

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “*Interim Financial Reporting*” issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

### **3. PRINCIPAL ACCOUNTING POLICIES**

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.



## Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to IFRS 9 *Prepayment Features with Negative Compensation* in advance of the effective date, i.e. 1 January 2019.

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

### 3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales of burial plots
- Provision of other burial-related services
- Provision of cemetery maintenance services

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

### ***3.1.1 Key changes in accounting policies resulting from application of IFRS 15***

IFRS 15 introduces a 5-step approach when recognising revenue:

- 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, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### *Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations (sales of burial plots and provision of cemetery maintenance services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

### *Incremental costs of obtaining a contract*

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

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

### **3.1.2 Summary of effects arising from initial application of IFRS 15**

There's no impact of transition to IFRS 15 on retained earnings at 1 January 2018. The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	<i>Notes</i>	<b>Carrying amounts previously reported at 31 December 2017 RMB'000</b>	<b>Reclassification RMB'000</b>	<b>Carrying amounts under IFRS 15 at 1 January 2018* RMB'000</b>
<b>Current Liabilities</b>				
Trade and other payables	a	21,185	(9,141)	12,044
Deferred income	b	3,220	(3,220)	—
Contract liabilities	a, b	—	12,361	12,361
<b>Non-current Liabilities</b>				
Deferred income	b	48,487	(48,487)	—
Contract liabilities	b	—	48,487	48,487

\* The amounts in this column are before the adjustments from the application of IFRS 9

*Notes:*

- (a) As at 1 January 2018, advances from customers of RMB9,141,000 previously included in trade and other payables were reclassified to current portion of contract liabilities.
- (b) As at 1 January 2018, the entire deferred income of RMB51,707,000 (including current and non-current portions of RMB3,220,000 and RMB48,487,000) related to the consideration received in advance from the provision of cemetery maintenance services. This balance was reclassified to contract liabilities upon application of IFRS 15.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included. There is no impact of applying IFRS 15 on the condensed consolidated statement of profit or loss and other comprehensive income for the current interim period.

	<b>As reported</b>	<b>Adjustments</b>	<b>Amounts without application of IFRS 15</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current Liabilities</b>			
Trade and other payables	9,040	7,768	16,808
Deferred income	—	3,370	3,370
Contract liabilities	11,138	(11,138)	—
<b>Non-current Liabilities</b>			
Deferred income	—	51,866	51,866
Contract liabilities	51,866	(51,866)	—

### **3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments**

In the current period, the Group has applied IFRS 9 *Financial instruments*, Amendments to IFRS 9 *Prepayments Features with Negative Compensation* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets, and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

In addition, the Group applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

### **3.2.1 Key changes in accounting policies resulting from application IFRS 9**

#### *Classification and measurement of financial assets*

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### ***Financial assets at FVTPL***

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other income” line item.

The directors of the Company (the “Directors”) reviewed and assessed the Group’s financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in Note 3.2.2.

#### *Impairment under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### ***Significant increase in credit risk***

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effect.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### ***Measurement and recognition of ECL***

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effect in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

### 3.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Available- for-sale investments <i>RMB'000</i>	Financial assets at FVTPL required by IFRS 9 <i>RMB'000</i>	Deferred tax liabilities <i>RMB'000</i>	Retained earnings <i>RMB'000</i>
<b>Closing balance at 31 December 2017</b>				
— IAS 39	71,300	—	2,310	16,883
<b>Reclassification</b>				
From available-for-sale investments (note b)	(71,300)	71,300	—	—
<b>Remeasurement</b>				
From cost less impairment to fair value (note b)	—	16,341	4,085	12,256
<b>Opening balance at 1 January 2018</b>	<u>—</u>	<u>87,641</u>	<u>6,395</u>	<u>29,139</u>

Notes:

- (a) The financial assets previously classified as loans and receivables are all grouped under amortised cost.
- (b) At the date of initial application of IFRS 9, the Group's equity investments of RMB71,300,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains of RMB16,341,000 relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained earnings as at 1 January 2018. In addition, the corresponding deferred tax liabilities of RMB4,085,000 was recognised with the deferred tax expense charged to retained earnings as at 1 January 2018.

Loss allowances for other financial assets at amortised cost mainly comprising bank balances, amounts due from related parties and other receivables are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. No additional credit loss allowance has been recognised against retained earnings as at 1 January 2018.

Except as described above, the application of other amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.



### 3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards and amendments

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	<b>31 December</b>	<b>IFRS 15</b>	<b>IFRS 9</b>	<b>1 January</b>
	<b>2017</b>	<b>IFRS 15</b>	<b>IFRS 9</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)			(restated)
<b>NON-CURRENT ASSETS</b>				
Property and equipment	2,631	—	—	2,631
Investment properties	5,410	—	—	5,410
Cemetery assets	9,092	—	—	9,092
Available-for-sale investments	71,300	—	(71,300)	—
Financial assets at FVTPL	—	—	87,641	87,641
	<u>88,433</u>	<u>—</u>	<u>16,341</u>	<u>104,774</u>
<b>CURRENT ASSETS</b>				
Inventories	3,537	—	—	3,537
Prepayments and other receivables	312	—	—	312
Amounts due from related parties	2,058	—	—	2,058
Bank balances and cash	81,720	—	—	81,720
	<u>87,627</u>	<u>—</u>	<u>—</u>	<u>87,627</u>

	<b>31 December 2017</b>	<b>IFRS 15</b>	<b>IFRS 9</b>	<b>1 January 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)			(restated)
<b>CURRENT LIABILITIES</b>				
Trade and other payables	21,185	(9,141)	—	12,044
Amount due to a related party	752	—	—	752
Deferred income	3,220	(3,220)	—	—
Income tax payable	11,679	—	—	11,679
Contract liabilities	—	12,361	—	12,361
	<u>36,836</u>	<u>—</u>	<u>—</u>	<u>36,836</u>
<b>NET CURRENT ASSETS</b>	<u>50,791</u>	<u>—</u>	<u>—</u>	<u>50,791</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>139,224</u>	<u>—</u>	<u>16,341</u>	<u>155,565</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred income	48,487	(48,487)	—	—
Contract liabilities	—	48,487	—	48,487
Deferred tax liabilities	2,310	—	4,085	6,395
	<u>50,797</u>	<u>—</u>	<u>4,085</u>	<u>54,882</u>
<b>NET ASSETS</b>	<u><u>88,427</u></u>	<u><u>—</u></u>	<u><u>12,256</u></u>	<u><u>100,683</u></u>
<b>CAPITAL AND RESERVES</b>				
Share capital	66,192	—	—	66,192
Reserves	22,235	—	12,256	34,491
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<u><u>88,427</u></u>	<u><u>—</u></u>	<u><u>12,256</u></u>	<u><u>100,683</u></u>

#### 4. REVENUE AND SEGMENT INFORMATION

##### 4.1 Disaggregation of revenue

	<b>For the six months ended 30 June 2018</b>	
<b>Segments</b>	<b>Sales of burial plots and provision of other burial- related services <i>RMB'000</i> (unaudited)</b>	<b>Provision of cemetery maintenance services <i>RMB'000</i> (unaudited)</b>
Types of goods and service		
Sales of burial plots	21,744	—
Provision of other burial-related services	2,037	—
Provision of cemetery maintenance services	—	1,606
Total	<u>23,781</u>	<u>1,606</u>
Timing of revenue recognition		
A point in time	21,744	—
Over time	2,037	1,606
Total	<u>23,781</u>	<u>1,606</u>

All of the Group's revenue is generated in the People's Republic of China (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.

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	<b>For the six months ended 30 June 2018</b>	
	<b>Sales of burial plots and provision of other burial- related services <i>RMB'000</i> (unaudited)</b>	<b>Provision of cemetery maintenance services <i>RMB'000</i> (unaudited)</b>
Revenue disclosed in segment information		
External customers	<u>23,781</u>	<u>1,606</u>
Revenue from contracts with customers	<u>23,781</u>	<u>1,606</u>

## 4.2 Segment 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 manager 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 PRC.

### *Segment revenue and results*

*For the six months ended 30 June 2018 (unaudited)*

	<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>23,781</u>	<u>1,606</u>	<u>25,387</u>
Segment results	<u>20,503</u>	<u>1,452</u>	<u>21,955</u>
Other income			6,267
Other gains			508
Loss on fair value changes of financial assets at FVTPL			(13,945)
Gain on fair value change of investment properties			150
Distribution and selling expenses			(3,027)
Administrative expenses			<u>(2,339)</u>
Profit before taxation	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>9,569</u></u>

For the six months ended 30 June 2017 (unaudited)

	Sales of burial plots and provision of other burial-related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	22,945	1,501	24,446
Segment results	18,815	1,156	19,971
Other income			3,919
Other gains			35
Gain on fair value change of investment properties			60
Distribution and selling expenses			(2,103)
Administrative expenses			(2,014)
Initial public offering expenses			(6,680)
Profit before taxation			13,188

Segment results represent 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 current and prior periods. No analysis of segment assets and liabilities is presented as it is not regularly reviewed by the Group's CODM.

## 5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2018 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)
Interest income on bank deposits	38	175	68	224
Dividend income from financial assets at FVTPL	—	—	6,104	—
Dividend income from available-for sale investments	—	—	—	3,600
Rental income	95	47	95	95
	<u>133</u>	<u>222</u>	<u>6,267</u>	<u>3,919</u>

## 6. OTHER GAINS

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Foreign exchange gains, net	<u>2,664</u>	<u>35</u>	<u>508</u>	<u>35</u>

## 7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of property and equipment	116	83	262	190
Amortisation of cemetery assets (included in cost of sales and services)	<u>89</u>	<u>57</u>	<u>176</u>	<u>112</u>
Total depreciation and amortisation	<u>205</u>	<u>140</u>	<u>438</u>	<u>302</u>
Cost of inventories recognised as an expense	<u>986</u>	<u>1,682</u>	<u>2,425</u>	<u>3,606</u>
Staff costs, including Directors' remuneration:				
Salaries, wages and other benefits	1,008	960	2,011	1,436
Retirement benefits scheme contributions	<u>125</u>	<u>256</u>	<u>294</u>	<u>316</u>
Total staff costs	<u>1,133</u>	<u>1,216</u>	<u>2,305</u>	<u>1,752</u>

## 8. INCOME TAX (CREDIT)/EXPENSES

	Three months end 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current enterprise income tax	1,657	1,601	4,391	3,141
Deferred tax	<u>(3,449)</u>	<u>15</u>	<u>(3,449)</u>	<u>15</u>
	<u>(1,792)</u>	<u>1,616</u>	<u>942</u>	<u>3,156</u>

## 9. (LOSSES)/EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>(Losses)/Earnings</b>				
(Losses)/earnings for the purpose of calculating basic (losses)/earnings per share ((Loss)/profit for the period attributable to owners of the Company)	<u>(2,921)</u>	<u>3,319</u>	<u>8,627</u>	<u>10,032</u>
<b>Numbers of shares</b>				
Weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share	<u>1,000,000,000</u>	<u>750,000,000</u>	<u>1,000,000,000</u>	<u>750,000,000</u>

The number of ordinary shares for the purpose of calculating basic earnings per share for the three months and six months ended 30 June 2017 has been adjusted retrospectively for the effect of the reorganisation and Capitalisation Issue (set out in note 16) as if the reorganisation and Capitalisation Issue had been completed on 1 January 2017.

No diluted earnings per share were presented for both the three months and six months ended 30 June 2018 and 2017 as there was no potential ordinary shares in issue for both periods.

## 10. DIVIDEND

The Directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2017: nil).

## 11. INVESTMENT PROPERTIES

	<i>RMB'000</i>
<b>Fair value</b>	
At 31 December 2017 (audited)	5,410
Gain on fair value change of investment properties	<u>150</u>
At 30 June 2018 (unaudited)	<u>5,560</u>

The fair values of the Group's investment properties as at 30 June 2018 and 31 December 2017 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 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.

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

## 12. CEMETERY ASSETS

	At 30 June 2018 <i>RMB'000</i> (unaudited)	At 31 December 2017 <i>RMB'000</i> (audited)
Prepaid lease payments	5,377	5,463
Landscape facilities	3,235	3,100
Development costs	521	529
	<u>9,133</u>	<u>9,092</u>

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

	At 30 June 2018 <i>RMB'000</i> (unaudited)	At 31 December 2017 <i>RMB'000</i> (audited)
Unlisted investments	<u>73,696</u>	<u>—</u>

At 31 December 2017 and 30 June 2018, 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 31 December 2017. At the date of initial application of IFRS 9 on 1 January 2018, these investments were reclassified from available-for-sale investments to financial assets at FVTPL. During the six months ended 30 June 2018, the amount of loss on fair value changes of financial assets at FVTPL of RMB13,945,000 was charged to profit or loss.

The fair values of these investments were arrived at on the basis of valuation carried out by Savills Valuation and Professional Services Ltd., an independent qualified professional valuer not connected with the Group.

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

Financial assets	Fair value as at 30 June 2018 (unaudited) RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL	73,696	Level 3	Market approach: based on the target companies' financial performance and the multiples of comparable companies	P/B ratio: 0.98 DLOM: 30%
			The key inputs are:	
			(1) Price to book ratio ("P/B ratio")	
			(2) Discount for lack of marketability ("DLOM")	

#### 14. TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade payables	754	2,353
Advances from customers	—	9,141
Accrued expenses	8,286	8,626
Accrued initial public offering expenses	—	1,065
	<u>9,040</u>	<u>21,185</u>

The following is an aged analysis of trade payables based on the invoice date at 30 June 2018 and 31 December 2017:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within 1 year	658	2,230
1 to 2 years	—	27
2 to 3 years	—	33
Over 3 years	96	63
	<u>754</u>	<u>2,353</u>

## 15. CONTRACT LIABILITIES

Contract liabilities (recorded in deferred income and advances from customers within trade and other payables in prior years) represent the obligations to transfer burial plots and cemetery maintenance services in accordance with the revenue recognition policy and the nature of the business.

	<b>At 30 June 2018 RMB'000 (unaudited)</b>
Carrying amount analysed as:	
Amounts shown under current liabilities	11,138
Amounts shown under non-current liabilities	51,866
	<u>63,004</u>

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

During the six months ended 30 June 2018, the Group generated revenue from the provision of cemetery maintenance services in the amount of approximately RMB1,606,000 (six months ended 30 June 2017: RMB1,501,000).

## 16. SHARE CAPITAL

	<b>Number of shares</b>	<b>RMB'000</b>
Ordinary shares of United States Dollar (US"\$") 0.01 each Authorised:		
At 25 January 2017 (upon incorporation)	50,000	4
Increase on 23 May 2017 ( <i>note a</i> )	2,999,950,000	205,980
	<u>3,000,000,000</u>	<u>205,984</u>
At 30 June 2017, 1 January 2018 and 30 June 2018		
Issue and fully paid:		
At 25 January 2017	1	—
Issue of shares on 1 February 2017	9,999	1
	<u>10,000</u>	<u>1</u>
At 30 June 2017		
Issue of shares on 27 September 2017 ( <i>note b</i> )	749,990,000	49,643
Issue of shares to the public on 27 September 2017 ( <i>note c</i> )	250,000,000	16,548
	<u>1,000,000,000</u>	<u>66,192</u>
At 1 January 2018 and 30 June 2018		

*Notes:*

- (a) On 23 May 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.
- (b) Pursuant to the resolutions in writing of the shareholders of the Company passed on 7 September 2017 and 26 September 2017, it is resolved that conditional on the other reserve account, retained earnings account and share premium account of the Company being credited as a result of the global offering (see note (c) below for further details), the Directors were authorised to capitalise an amount of US\$7,499,900 standing to the credit of the other reserve account, retained earnings account and share premium account of the Company by applying such sum to pay up in full at par 749,990,000 shares of the Company (the “Capitalisation Issue”).
- (c) On 27 September 2017, the Company issued 250,000,000 ordinary shares to the public with a par value of US\$0.01 each at the price of Hong Kong Dollar 0.28 per share by way of global offering. On the same date, the Company’s shares were listed on GEM of the Stock Exchange.

## 17. OPERATING LEASES COMMITMENTS

### The Group as lessor

The investment properties held by the Group for rental purpose have committed tenants for three 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:

	At 30 June 2018 <i>RMB’000</i> (unaudited)	At 31 December 2017 <i>RMB’000</i> (audited)
Within one year	200	200
In the second to the fifth year, inclusive	<u>300</u>	<u>400</u>
	<u>500</u>	<u>600</u>

### The Group as lessee

The Group leases an office under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 30 June 2018 <i>RMB’000</i> (unaudited)	At 31 December 2017 <i>RMB’000</i> (audited)
Within one year	<u>229</u>	<u>—</u>

## 18. CAPITAL COMMITMENTS

	At 30 June 2018 <i>RMB'000</i> (unaudited)	At 31 December 2017 <i>RMB'000</i> (audited)
Contracted but not provided for in the condensed consolidated financial statements:		
— Expenditure in respect of equipment	—	465

## 19. RELATED PARTY TRANSACTIONS

### (a) Related party balances

#### *Amounts due from related parties:*

At the end of the reporting period, the Group had amounts receivable from the following related parties and the details are set out below:

	At 30 June 2018 <i>RMB'000</i> (unaudited)	At 31 December 2017 <i>RMB'000</i> (audited)
Fellow subsidiary:		
中國宏泰產業市鎮發展有限公司 (China VAST Industrial Urban Development Co., Ltd.)	—	2,057
Ultimate holding company:		
Tai Shing International	—	1

All amounts due from related parties were non-trade nature and were denominated in RMB, unsecured, interest free and repayable on demand.

#### *Amount due to a related party:*

	At 30 June 2018 <i>RMB'000</i> (unaudited)	At 31 December 2017 <i>RMB'000</i> (audited)
Ultimate Controlling Shareholder:		
Ms. Zhao Ying	—	752

The amount due to a related party was non-trade nature and was denominated in RMB, unsecured, interest free and repayable on demand.

**(b) Related party transaction**

The Group entered into the following transaction with its related party:

	Nature of transaction	Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Fellow subsidiary:			
廊坊市城區房地產開發 有限公司 (Langfang City Property Development Co., Ltd.)	Purchase of a motor vehicle	—	30

- (c) During the six months ended 30 June 2017, the Group entered into an acquisition agreement to acquire the entire equity interest in Langfang Wantong from the original shareholders of Langfang Wantong for a cash consideration of RMB55,500,000. On 18 August 2017, Mr. Wang Jianjun provided a loan amounting to RMB46,835,000 to the Group to settle this consideration payable, and on 30 August 2017, he agreed to waive an amount of RMB32,500,000 payable to him by the Group which was accounted for as a deemed contribution to the Group.

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

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Salaries and other benefits	343	30
Contribution to retirement benefit scheme	29	3
Discretionary performance-related bonus	120	17
	<u>492</u>	<u>50</u>

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

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

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

The Group's burial service consists 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 organizing 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 service is the largest component of the Group's revenue, representing 93.7% of its revenue for the six months ended 30 June 2018 (2017: 93.9%). The Group's revenue from burial service, in particular, the sale of burial plots, for a given period is dependent upon the number and the average selling price of burial plots sold and recognized as revenue during the period.

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

The Group provides ongoing cemetery maintenance services as an integral part of its burial service to maintain its beautiful landscaped cemetery. Customers pay for maintenance fees upfront when they sign the sales contracts to purchase the burial plots. The Group's revenue from cemetery maintenance was RMB1,606,000 for the six months ended 30 June 2018 (2017: RMB1,501,000).

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue was increased by 3.8% from RMB24.4 million for the six months ended 30 June 2017 to RMB25.4 million for the six months ended 30 June 2018, primarily driven by an increase in revenue from burial service. The Group's revenue from burial service increased by 3.6% from RMB22.9 million for the six months ended 30 June 2017 to RMB23.8 million for the six months ended 30 June 2018, primarily due to sales of three columbarium niches halls.

### **Cost of sales and services and Gross Profit**

The Group's cost of sales and services decreased by 23.3% from RMB4.5 million for the six months ended 30 June 2017 to RMB3.4 million for the sales and services for burial service. The Group's cost of sales and services for burial service decreased by 20.6% from RMB4.1 million for the six months ended 30 June 2017 to RMB3.3 million for the six months ended 30 June 2018, primarily due to an enhancement of service process standardization.

The Group's cost of sales and services for cemetery maintenance decreased significantly by 55.4% from RMB0.35 million for the six months ended 30 June 2017 to RMB0.15 million for the six months ended 30 June 2018, which is considered fairly stable in terms of absolute amount.

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

As a result of the foregoing, the Group gross profit increased by 9.9% from RMB20.0 million for the six months ended 30 June 2017 to RMB22.0 million for the six months ended 30 June 2018. The Group's overall gross profit margin increased from 81.7% for the six months ended 30 June 2017 to 86.5% for the six months ended 30 June 2018.

The Group's gross profit for burial service increased by 9.0% from RMB18.8 million for the six months ended 30 June 2017 to RMB20.5 million for the six months ended 30 June 2018. The gross profit margin for burial service increased from 82.0% for the six months ended 30 June 2017 to 86.2% for the six months ended 30 June 2018, primarily due to sales of three columbarium niches halls.

The gross profit for cemetery maintenance was RMB1.2 million and RMB1.5 million for the six months ended 30 June 2017 and 2018, respectively. The gross profit margin for cemetery maintenance increased from 77.0% for the six months ended 30 June 2017 to 90.4% for the six months ended 30 June 2018, which is considered fairly stable in terms of absolute amount.

### **Other income**

The Group's other income increased by 59.9% from RMB3.9 million for the six months ended 30 June 2017 to RMB6.3 million for the six months ended 30 June 2018. This increase was primarily due to an increase in dividends income from financial assets at FVTPL in the six months ended 30 June 2018.

### **Distribution and selling expenses**

The Group's distribution and selling expenses increased by 43.9% from RMB2.1 million for the six months ended 30 June 2017 to RMB3.0 million for the six months ended 30 June 2018. This increment was primarily due to increase in (1) commission paid to partnered funeral service providers and (2) salary and staff costs.

### **Administrative expenses**

The Group's administrative expenses increased by 16.1% from RMB2.0 million for the six months ended 30 June 2017 to RMB2.3 million for the six months ended 30 June 2018. This increment was primarily due to (1) the Group's business expansion and (2) increase in salary and staff costs.

### **Initial public offering expenses**

The Group's initial public offering expenses decreased from RMB6.7 million for the six months ended 30 June 2017 to nil for the six months ended 30 June 2018, primarily due to fees and expenses for involving the professional advisers in preparing for the listing in 2017.

### **Income tax expenses**

The Group's income tax expenses decreased by 70.2% from RMB3.2 million for the six months ended 30 June 2017 to RMB0.9 million for the six months ended 30 June 2018, primarily due to increase in deferred tax expense resulting from loss on fair value changes of financial assets at fair value through profit or loss and increase in non-taxable income.

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

As a result of the foregoing, the Group's profit and total comprehensive income for the period decreased by 14.0% from RMB10.0 million for the six months ended 30 June 2017 to RMB8.6 million for the six months ended 30 June 2018. The Group's net profit margin decreased from 41.0% for the six months ended 30 June 2017 to 34.0% for the six months ended 30 June 2018, primarily due to the fees and expenses incurred from professional advisers in connection with the preparation of Listing in the six months ended 30 June 2017 and the loss on fair value change of financial assets at FVTPL in the six months ended 30 June 2018.

### **Liquidity and financial resources**

The Group generally financed its operations with its internally generated cash flows. The Group's total equity was RMB109.3 million as at 30 June 2018, compared to RMB88.4 million as at 31 December 2017. Total assets amounted to RMB196.5 million as at 30 June 2018, compared to RMB176.1 million as at 31 December 2017, of which RMB101.0 million (2017: RMB81.7 million) was bank balances and cash.

### **Capital structure**

The shares of the Company have been listed on GEM since 27 September 2017 (the "Listing Date"). There are no material change in the capital structure of the Company since the Listing Date. The capital of the Group comprises only ordinary shares.

### **Pledge of assets**

There was no charge on the Group's assets as at 30 June 2018 and 31 December 2017.



## **Gearing ratio**

As at 30 June 2018, the gearing ratio of the Group, being total liabilities to total assets, was 44.4% (31 December 2017: 49.8%), which indicates the Group's healthy liquidity position.

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

There were no other material acquisitions, disposals or significant investments during the Half-Yearly Period.

## **Employee information**

As at 30 June 2018, the Group had a total of 67 employees (30 June 2017: 54 employees). The Group provides employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

## **Segmental information**

For the six months ended 30 June 2018, the Group has two operating and reporting segments namely (i) sales of burial plots and provision of other burial-related services and (ii) provision of cemetery maintenance service.

The Group strengthens its market position in Langfang by further development the undeveloped area within its cemetery, upgrading its facilities, diversifying its burial-related services, and enhancing its marketing efforts.

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

## **PROSPECTS**

As the Company will apply proceeds raised from the listing and its internal resources to implement its future expansion plan according to its business strategies, with the growth of (1) its newly developed business sector of funeral services and (2) its further developed and expanded burial service sector by pursuing strategic alliance and acquisition opportunities, the Directors believe that its business landscape will be more diversified and of much larger scale, which will enable the Company to adjust its development plans timely.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 14 September 2017 (the “Prospectus”) with the Group’s actual business progress for the period from the listing date to 30 June 2018 is set out below:

<b>Objects</b>	<b>Implementation plan up to 30 June 2018</b>	<b>Actual business progress up to 30 June 2018</b>
Strengthening the market position in Langfang	Upgrading the main entrance area and western internal road of the cemetery	Upgrading for the greening appearance of main entrance of the cemetery is underway, while that of the main entrance and western internal road is completed
	Purchasing and upgrading the current facilities and machineries (such as waste incinerators and lawn mowers) for gardening and interment rituals	Having purchased the lawn mowers and watering cart; purchased and installed incinerators
	Commencing the development of the “Rose” Garden	Not developed yet
	Designing family graves	Family graves and other types of graves are designed
	Maintaining and expanding the cooperation with local funeral services providers and promoting the brand awareness with new advertisement boards	Having expanded the cooperation with local funeral service providers with two new advertisement boards for promotion
	Polishing an artificial hill in the northern part of the cemetery	Planning in progress
	Designing tree burial and sea burial services	Designing in progress

Objects	Implementation plan up to 30 June 2018	Actual business progress up to 30 June 2018
	Commencing the construction of family graves in crypt-style and hill-style	Having constructed the family graves in crypt-style and small courtyard-style
	Promoting the brand by cooperation with various communities	Promotion in progress
Expanding the business scope of providing funeral services	Locating, leasing, designing and decorating premises for the operation of funeral services	Planning to the formation of Langfang Funeral Home, have set up office point and sent specialists to on-site
	Commencing the business of the funeral services	Having completed the construction of funeral hall, and is currently improving the interment ritual services
	Purchasing funeral vehicles	Funeral vehicles are purchased
	Recruiting and training ten funeral services staff	Including the manager of the funeral service centre, six persons are recruited and over 10 people in training.
	Operating the funeral services center and conducting marketing activities through public media (such as local newspaper) about the funeral services	Conducting in progress
Exploring new burial market in the Beijing-Tianjin-Hebei megalopolis & pursuing strategic alliance and acquisition opportunities	Liaising and cooperating with more Beijing-based funeral services providers and mortuaries	Liaising and cooperating with Beijing-based funeral services providers and mortuaries are completed

Objects	Implementation plan up to 30 June 2018	Actual business progress up to 30 June 2018
	On-site promotion in Beijing	Four shops are confirmed to cooperate, and the Group is negotiating with various parties
	Preliminary site visiting and investigating several potential targets for acquisition, if there would be any suitable ones	Having conducted site visits to projects in various regions like Beijing, Tianjin, Hebei, etc. One to three projects are selected for further investigations
	Establishing the first Beijing-based store for marketing purpose	Temporarily not set up
	Conducting due diligence and entering into framework agreement with suitable acquisition target	Having performed the preliminary site visiting and research for some potential acquisition opportunities and it is in a preliminary stage that no agreement has been entered yet

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds raised from the Global Offering of the Company were and will be used in the manner consistent with that set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

An analysis of the utilization of the net proceeds from the listing date up to 30 June 2018 is set out below:

	<b>Proposed use of net proceeds as stated in the Prospectus up to 30 June 2018 RMB</b>	<b>Actual use of net proceeds up to 30 June 2018 RMB</b>
Strengthening the market position in Langfang	8.1 million	4.33 million
Expanding the business scope of providing funeral services	6.0 million	0.09 million
Exploring new burial market in the Beijing-Tianjin- Hebei megalopolis & pursuing strategic alliance and acquisition opportunities	<u>1.8 million</u>	<u>0.16 million</u>

## FOREIGN EXCHANGE EXPOSURE

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

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 30 June 2018, the Group did not have any material contingent liabilities or capital commitment.

## EVENTS AFTER THE REPORTING PERIOD

No important event affecting the Group have occurred subsequent to 30 June 2018 and up to the date of this announcement.

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

As at 30 June 2018, the interests and short positions of each of the Directors and the chief executives and their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

<b>Name of the Director</b>	<b>Capacity/nature of interests</b>	<b>Number and class of Securities</b>	<b>Percentage of Shareholding (Note 3)</b>
Ms. Zhao Ying (Note 2)	Founder of a discretionary trust who can influence how the trustee exercises its discretion	750,000,000 (L) (Note 1)	75% (Note 3)

Notes:

- (1) The letter “L” refers to the long position of the Shares of the Company.
- (2) Ms. Zhao Ying is the chairman and the non-executive director of the Company. She is the settlor, sole member of The Hope Trust’s protective committee and a beneficiary of The Hope Trust, which is a discretionary trust and TMF (Cayman) Ltd. is on the trusts of The Hope Trust. TMF (Cayman) Ltd. wholly owns the entire share capital of Lily Charm Holding Limited. Lily Charm Holding Limited wholly owns the entire issued share capital of Tai Shing International Investment Company Limited. Therefore, Ms. Zhao Ying is deemed to be interested in the 750,000,000 Shares directly held by Tai Shing International Investment Company Limited.
- (3) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest

or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2018, so far as was known to the Directors, the following persons/entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

<b>Name of Shareholder</b>	<b>Capacity/nature of interests</b>	<b>Number and class of Securities (Note 1)</b>	<b>Percentage of Shareholding (Note 5)</b>
Tai Shing International Investment Company Limited	Beneficial owner (Note 2)	750,000,000 (L)	75%
Lily Charm Holding Limited	Interest in a controlled Corporation (Notes 2, 3)	750,000,000 (L)	75%
TMF (Cayman) Ltd.	Trustee (Notes 2, 3, 4)	<u>750,000,000 (L)</u>	<u>75%</u>

Notes:

- (1) The letter "L" refers to the entity/person's long position in the Shares.
- (2) Tai Shing International Investment Company Limited directly holds 750,000,000 Shares of the Company.
- (3) Lily Charm Holding Limited holds the entire of issued share capital of Tai Shing International Investment Company Limited, thus Lily Charm Holding Limited is deemed to be interested in the 750,000,000 Shares of the Company.
- (4) TMF (Cayman) Ltd. is the trustee of The Hope Trust, which is a discretionary trust set up by Ms. Zhao Ying, the chairman and non-executive Director of the Company. TMF (Cayman) Ltd. directly holds the entire issued share capital of Lily Charm Holding Limited. Therefore, TMF is deemed to be interested in 750,000,000 Shares of the Company.
- (5) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other persons, except disclosed below under “Other persons’ interests and short positions in the Shares and underlying Shares of the Company” other than the Directors and the chief executive of the Company who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debenture of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO; or who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

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

As at 30 June 2018, so far as was known to the Directors, the following persons/entities (not being Directors, chief executive or substantial shareholders of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

<b>Name of shareholders</b>	<b>Capacity/nature of interests</b>	<b>Number of Shares held (Note 1)</b>	<b>Percentage of Shareholding (Note 3)</b>
Fairich Trading Limited	Beneficial owner	99,000,000 (L)	9.9%
Ms. Xing Junying	Interest in a controlled corporation (Note 2)	99,000,000 (L)	9.9%

*Notes:*

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Fairich Trading Limited is directly wholly owned by Ms. Xing Junying.
- (3) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, the Directors are not aware of any other person or corporation other than the Directors, the chief executive and substantial shareholders of the Company who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debenture of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



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

The Company's shares were listed on GEM on 27 September 2017. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the date of Listing and up to the date of this announcement.

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

Ms. Zhao Ying, The Hope Trust, Lily Charm Holding Limited, Tai Shing International Investment Company Limited, individually and collectively as the controlling shareholder(s) (the "Controlling Shareholder(s)") (as defined under GEM Listing Rules) of the Company, has entered into the deed of non-competition dated 7 September 2017 (the "Deed of Non-competition") in favor of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the Controlling Shareholders have irrevocably undertaken to the Company that they will not and will procure their respective close associate (except any member of the Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the core business of the Group, being burial service business and funeral services that the Group plans to expand into or own any rights or interests in such businesses.

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

The Controlling Shareholders have confirmed to the Company that from the effective date of the Deed of the Non-competition and up to the date of this announcement, Ms. Zhao Ying, The Hope Trust, Lily Charm Holding Limited, Tai Shing International Investment Company Limited and their respective close associates (as defined under the GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

## **COMPLIANCE ADVISER'S INTERESTS**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Innovax Capital Limited (“Innovax Capital”) as the compliance adviser of the Company. As informed by Innovax Capital, as at 30 June 2018, neither Innovax Capital, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) has or may have, any interests in the securities of the Company or any other companies of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Innovax Capital dated 28 March 2017.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules on terms no less exacting than the required standard of dealings. Having made specific enquiries of the Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the period from the date of listing up to the date of this announcement.

## **CORPORATE GOVERNANCE PRACTICES**

The Board recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve accountability. In the opinion of the Board, the Company has applied the principles and complied with all the applicable code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules during the period from the date of Listing to 30 June 2018.

## **AUDIT COMMITTEE**

The Company established the audit committee (the “Audit Committee”) with written terms of reference with Rules 5.28 to 5.29 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, making recommendations to the Board on the appointment and removal of external auditors, reviewing the financial information and disclosures, to oversee the audit process, to develop and review the policies and to perform other duties and responsibilities as assigned by the Board. The Audit Committee consists of three independent non-executive Directors, namely Dr. Wong Wing Kuen Albert, Mr. Cheung Ying Kwan and Mr. Choi Hon Keung Simon. Dr. Wong Wing Kuen Albert is the chairman of the Audit Committee.

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

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

Hong Kong, 7 August 2018

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

*This announcement will remain on the “Latest Company Announcements” page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its publication and on the website of the Company ([www.lfwtty.com](http://www.lfwtty.com)).*