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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF SHARES OF THE TARGET COMPANY

THE DISPOSAL

On 24 August 2018 (after trading hours), the Vendor (an indirectly wholly-owned subsidiary of the Company) and the Purchaser entered into the SPA, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares and the Vendor has conditionally agreed to sell the Sale Shares at the total Consideration of RMB76,000,000. The Sale Shares represent 5.78% of the total registered capital of the Target Company.

GEM LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceed 25% but all applicable percentage ratios are below 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Tai Shing, the controlling Shareholder, holds 750,000,000 Shares, representing 75% of the issued share capital of the Company, as at the date of this announcement. Pursuant to Rule 19.44 of the GEM Listing Rules, Tai Shing has issued a written shareholder's approval certificate to approve the Disposal and accordingly, no extraordinary general meeting will be convened by the Company to approve the Disposal.

GENERAL

A circular containing, among others, (i) further details of the SPA and the transactions contemplated thereunder; and (ii) other information as required under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 25 September 2018 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the SPA and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Disposal.

The SPA shall be conditional upon and subject to the fulfilment and satisfaction of the conditions set out in the section headed "Conditions precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

On 24 August 2018 (after trading hours), the Vendor (an indirectly wholly-owned subsidiary of the Company) and the Purchaser entered into the SPA, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares and the Vendor has conditionally agreed to sell the Sale Shares at the total Consideration of RMB76,000,000. The Sale Shares represent 5.78% of the total registered capital of the Target Company.

THE SPA

Date

24 August 2018 (after trading hours)

Parties

- (i) Vendor
- (ii) Purchaser

The Purchaser is a company incorporated in the PRC and is principally engaged in the field of landscaping design, horticultural work, and maintenance work. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

Pursuant to the SPA, the Purchaser has conditionally agreed to acquire the Sale Shares and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares, being 33,150,000 shares in the capital of the Target Company, represent 5.78% of the total registered capital of the Target Company.

Consideration

Pursuant to the terms of the SPA, the Consideration for the Sale Shares is RMB76,000,000, which will be satisfied by the Purchaser to the Vendor by cash in the following manner:

1. RMB38,000,000 shall be paid by the Purchaser to the Vendor on the Completion Date; and
2. RMB38,000,000, being the balance of the Consideration, shall be paid by the Purchaser to the Vendor before 31 December 2018.

The Consideration was arrived at based on normal commercial terms after arm's length negotiation between the parties and was determined with reference to, among others, (i) the audited net asset value of the Sale Shares as at 31 December 2017 in the amount of approximately RMB85,800,000, (ii) the fair value of the Sale Shares, in the amount of approximately RMB64,870,000 as at 30 June 2018 by an independent valuer based on the market method after considering the Target Company's financial performance and the multiples of comparable companies; and (iii) the reasons for and benefits of the Disposal as stated under the section headed "The Reasons for and benefits of the Disposal" in this announcement.

In view of the above, the Directors consider that the Consideration is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon and subject to the fulfilment and satisfaction of the following conditions precedent:

- (i) the Vendor has submitted the transfer application to the Target Company;
- (ii) the Purchaser has submitted the voluntary application to be a shareholder to the Target Company;
- (iii) all the representations, undertakings and warranties given by the Vendor and the Purchaser under the SPA are and shall remain true, accurate, correct and complete and not misleading in all material respects up to the Completion;
- (iv) the Vendor and the Purchaser have obtained the Target Company's consent in connection with the transactions contemplated under the SPA; and
- (v) the Shareholders have approved the SPA and the transactions contemplated thereunder at a general meeting or by way of written majority shareholder's approval in accordance with the GEM Listing Rules.

If any of the aforesaid conditions precedent is not fulfilled or waived by the Purchaser (where applicable) on or before the Completion Date, the SPA shall become void and of no further effect, and all obligations and liabilities of the parties thereunder shall forthwith cease and determine (save for any antecedent breaches).

Completion

Completion of the Disposal is scheduled to take place on the Completion Date (or at such time or at such place as the parties may otherwise agree in writing).

As at the date of this announcement, the Group owned 5.78% of the equity interests in the Target Company. Upon Completion, the Company will cease to hold any interest in the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a rural credit cooperatives union established in the PRC and is principally engaged in providing general banking services in Langfang City, Hebei Province, the PRC, including deposit, loan, inter-banks transfer services.

Set out below is a summary of the audited consolidated financial information of the Target Company for the two years ended 31 December 2017, which was prepared in accordance with PRC accounting standard:

	For the year ended 31 December 2016	For the year ended 31 December 2017
	<i>RMB</i> (audited)	<i>RMB</i> (audited)
Profit before taxation	125,116,000	316,756,000
Profit after taxation	116,896,000	300,264,000

According to the audited consolidated statement of financial information of the Target Company, the audited consolidated net asset value of the Target Company was approximately RMB1,484,849,000 as at 31 December 2017.

According to a valuation report prepared by an independent valuer based on the market method after considering the Target Company's financial performance and the multiples of comparable companies, the fair value of the Sale Shares was approximately RMB64,870,000 as at 30 June 2018.

INFORMATION OF THE PARTIES

The Group is principally engaged in the sales of burial plots, provision of other burial-related services and cemetery maintenance services.

The Vendor is a company established in the PRC with limited liability and is principally engaged in the sales of burial plots, provision of other burial-related services and cemetery maintenance services.

The Purchaser is a company established in the PRC with limited liability and is principally engaged in the field of landscaping design, horticultural works, and gardening maintenance works.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

As at the date of this announcement, the Group owned 5.78% of the equity interests in the Target Company. Upon Completion, the Group will cease to hold any interest in the Target Company.

The Directors expect to recognise an unaudited gain of approximately RMB11,130,000 from the Disposals after taking into account of (i) the latest valuation as at 30 June 2018 according to Interim Report; (ii) the Consideration payable by the Purchaser in connection with the Disposal; and (iii) related transaction expenses payable by the Group in connection with the Disposal. Shareholders should note that the actual amount of gain/loss on the Disposals to be recorded by the Company will be subject to review by the auditors of the Company.

The Group currently intends to use the net proceeds from the Disposals for (i) future potential acquisitions or investments of the Group; and (ii) the general working capital of the Group.

THE REASONS FOR AND BENEFITS OF THE DISPOSAL

The Sale Shares are non-core business assets of the Group. The Company has been considering various potential business and development opportunities to implement its future expansion plan according to its business strategies. Therefore, when the Company was approached by the Purchaser which showed in interest acquiring the Sale Shares, the Directors consider that the Disposal is a good opportunity for the Vendor to realise a considerable gain in its investment and generate cash inflow, which will enable the Group to diversify and explore other business prospects and investment opportunities.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal are normal commercial terms and are fair and reasonable, which have been arrived at after arm's length negotiations and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceed 25% but all applicable percentage ratios are below 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Tai Shing, the controlling Shareholder, holds 750,000,000 Shares, representing 75% of the issued share capital of the Company, as at the date of this announcement. No Shareholders have any material interest in the Disposal and are required to abstain from voting if the Company were to convene a general meeting for approving the Disposal. Pursuant to Rule 19.44 of the GEM Listing Rules, Tai Shing has issued a written shareholder's approval certificate to approve the Disposal and accordingly, no extraordinary general meeting will be convened by the Company to approve the Disposal.

GENERAL

A circular containing, among others, (i) further details of the SPA and the transactions contemplated thereunder; and (ii) other information as required under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 25 September 2018 to allow sufficient time for the preparation of the financial and other relevant information for inclusion in the circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the SPA and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Disposal.

The SPA shall be conditional upon and subject to the fulfilment and satisfaction of the conditions set out in the section headed "Conditions precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday or Sunday or public holiday in Hong Kong or the PRC and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong) on which commercial banks are open for business in Hong Kong and in the PRC
“Company”	China Wan Tong Yuan (Holdings) Limited (Stock code: 8199), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Disposal
“Completion Date”	the twentieth business days after the signing of the SPA
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the total consideration in the sum of RMB76,000,000 for the Disposal under the SPA
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the SPA
“EGM”	the extraordinary general meeting to be convened by the Company for the Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined under the GEM Listing Rules)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Langfang City Huanmei Landscaping Engineering Co., Ltd. 廊坊市環美園林工程有限公司, a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	33,150,000 shares in the Target Company, representing 5.78% of the total registered capital of the Target Company
“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 Share(s)
“SPA”	the conditional sale and purchase agreement dated 24 August 2018 and entered into by the Vendor and the Purchaser in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai Shing”	Tai Shing International Investment Company Limited (泰盛國際投資有限公司), a limited liability company established in the British Virgin Islands and the controlling shareholder of the Company, holding 75,000,000 Shares, representing 75% of the issued share capital of the Company
“Target Company”	Suburban Rural Credit Cooperatives of Langfang City* (廊坊市城郊農村信用合作聯社), a rural credit cooperatives union established in the PRC, which is owned as to 5.78% by the Vendor as at the date of this announcement
“US\$”	United States of America dollars, the lawful currency of the United States of America
“Vendor”	Langfang Wantong Cemetery Co., Ltd. (廊坊市萬桐公墓有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

For the purpose of this announcement, unless otherwise stated the conversion of RMB into HK\$ is based on an exchange rate of RMB1.00 to HK\$1.2326. The exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rate at all.

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

Hong Kong, 24 August 2018

As at the date of this announcement, the non-executive Director and the Chairman of the Company is Ms. Zhao Ying; the executive Directors of the Company are Ms. Li Xingying and Mr. Huang Guangming, and the independent non-executive Directors of the Company are Mr. Cheung Ying Kwan, Dr. Wong Wing Kuen Albert and Mr. Choi Hon Keung Simon.

This announcement, for which the directors of 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 Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.lfwt.com).

** For identification purpose only*