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萬桐園

CHINA WAN TONG YUAN (HOLDINGS) LIMITED

中國萬桐園(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8199)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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 Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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 not 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 2019 (the “Period”), together with the unaudited comparative figures for the corresponding periods in 2018 as follows:

FINANCIAL HIGHLIGHTS

The unaudited revenue of the Group amounted to approximately RMB18,803,000 (six months ended 30 June 2018: RMB25,387,000) for the Half-Yearly Period which represented a decrease of RMB6,584,000 or 25.9% as compared with the corresponding period in 2018.

The profit attributable to owners of the Company was RMB5,078,000 (six months ended 30 June 2018: RMB8,627,000) for the Half-Yearly Period, which represented a decrease of RMB3,549,000 or 41.1% 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 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	4	8,845	10,495	18,803	25,387
Cost of sales and services		(1,938)	(1,521)	(3,355)	(3,432)
Gross profit		6,907	8,974	15,448	21,955
Other income	5	2,578	133	3,951	6,267
Other gains	6	1,249	2,664	152	508
Loss on fair value changes of financial assets at fair value through profit or loss	13	(528)	(13,945)	(528)	(13,945)
Gain on fair value changes of investment properties	11	250	150	250	150
Distribution and selling expenses		(1,878)	(1,540)	(3,213)	(3,027)
Administrative expenses		(6,319)	(1,149)	(8,337)	(2,339)
Profit/(loss) before taxation	7	2,259	(4,713)	7,723	9,569
Income tax (expenses)/credit	8	(915)	1,792	(2,645)	(942)
Profit/(loss) and total comprehensive income/(expenses) for the period attributable to owners of the Company		<u>1,344</u>	<u>(2,921)</u>	<u>5,078</u>	<u>8,627</u>
Earnings/(losses) per share					
Basic (RMB)	9	<u>0.001</u>	<u>(0.003)</u>	<u>0.005</u>	<u>0.009</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		At 30 June 2019	At 31 December 2018
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment		3,118	3,499
Investment properties	11	5,910	5,660
Cemetery assets	12	7,921	9,081
Financial assets at fair value through profit or loss	13	8,317	8,845
		25,266	27,085
Current assets			
Inventories		16,900	2,001
Prepayments and other receivables		483	465
Bank balances and cash		185,753	191,412
		203,136	193,878
Current Liabilities			
Trade and other payables	14	10,340	9,470
Contract liabilities	15	17,397	9,096
Income tax payable		9,113	18,685
		36,850	37,251
Net current assets		166,286	156,627
Total assets less current liabilities		191,552	183,712

		At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Non-current liabilities			
Contract liabilities	15	55,529	52,697
Deferred tax liabilities		<u>2,015</u>	<u>2,085</u>
		<u>57,544</u>	<u>54,782</u>
Net assets		<u>134,008</u>	<u>128,930</u>
Capital and reserves			
Share capital	16	66,192	66,192
Reserves		<u>67,816</u>	<u>62,738</u>
Equity attributable to owners of the Company		<u>134,008</u>	<u>128,930</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company				
	Share capital	Statutory surplus reserve	Other reserve	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2018 (audited)	<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 statutory surplus reserve	<u>—</u>	<u>891</u>	<u>—</u>	<u>(891)</u>	<u>—</u>
At 30 June 2018 (unaudited)	<u><u>66,192</u></u>	<u><u>4,934</u></u>	<u><u>1,309</u></u>	<u><u>36,875</u></u>	<u><u>109,310</u></u>
At 1 January 2019 (audited)	<u>66,192</u>	<u>6,766</u>	<u>1,309</u>	<u>54,663</u>	<u>128,930</u>
Profit and total comprehensive income for the period	—	—	—	5,078	5,078
Transfer to statutory surplus reserve	<u>—</u>	<u>871</u>	<u>—</u>	<u>(871)</u>	<u>—</u>
At 30 June 2019 (unaudited)	<u><u>66,192</u></u>	<u><u>7,637</u></u>	<u><u>1,309</u></u>	<u><u>58,870</u></u>	<u><u>134,008</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(7,509)	13,265
INVESTING ACTIVITIES		
Purchase of property and equipment	(6)	(1,512)
Interest received	1,056	68
Dividend income received from financial assets at fair value through profit or loss	800	6,104
Repayment from related parties	—	2,058
Net cash generated from investing activities	1,850	6,718
FINANCING ACTIVITY		
Repayment to a related party	—	(752)
Net cash used in financing activity	—	(752)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,659)	19,231
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	191,412	81,720
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD REPRESENTED BY BANK BALANCES AND CASH	185,753	100,951

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 on 27 September 2017. The principal activity of the Company is investment holding. Its subsidiaries are primarily engaged in the sale of burial plots and columbarium units, 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 2019 have been prepared in accordance with International Accounting Standard 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 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle

The application of the new and amendments to IFRSs in the current interim period has had no material impact on Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to a lease of an office that has a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straightline basis over the lease term.

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

On transition, the directors of the Company (the “Directors”) considered that the application of IFRS 16 above had no material impact on the condensed consolidated statement of financial position at 1 January 2019.

4. REVENUE AND SEGMENT INFORMATION

4.1 Disaggregation of revenue

Segments	For the six months ended 30 June 2019	
	Sales of burial plots, columbarium units and provision of other burial-related services <i>RMB'000</i> (unaudited)	Provision of cemetery maintenance services <i>RMB'000</i> (unaudited)
Types of goods and service		
Sales of burial plots and columbarium units	15,550	—
Provision of other burial-related services	1,528	—
Provision of cemetery maintenance services	—	1,725
Total	<u>17,078</u>	<u>1,725</u>
Timing of revenue recognition		
A point in time	15,550	—
Over time	1,528	1,725
Total	<u>17,078</u>	<u>1,725</u>

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

	For the six months ended 30 June 2019	
	Sales of burial plots, columbarium units and provision of other burial-related services <i>RMB'000</i> (unaudited)	Provision of cemetery maintenance services <i>RMB'000</i> (unaudited)
Revenue disclosed in segment information		
External customers	<u>17,078</u>	<u>1,725</u>
Revenue from contracts with customers	<u>17,078</u>	<u>1,725</u>

	For the six months ended 30 June 2018	
Segments	Sales of burial plots, columbarium units and provision of other burial- related services <i>RMB'000</i> (unaudited)	Provision of cemetery maintenance services <i>RMB'000</i> (unaudited)
Types of goods and service		
Sales of burial plots and columbarium units	21,744	—
Provision of other burial-related services	2,037	—
Provision of cemetery maintenance services	—	1,606
	<hr/>	<hr/>
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
	<hr/>	<hr/>
Total	<u>23,781</u>	<u>1,606</u>

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

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

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 (1) sales of burial plots, columbarium units and provision of other burial-related services; and (2) provision of cemetery maintenance services in the PRC.

Segment revenue and results

For the six months ended 30 June 2019 (unaudited)

	Sales of burial plots, columbarium units and provision of other burial-related services RMB’000	Provision of cemetery maintenance services RMB’000	Total RMB’000
Segment revenue	<u>17,078</u>	<u>1,725</u>	<u>18,803</u>
Segment results	<u>13,962</u>	<u>1,486</u>	<u>15,448</u>
Other income			3,951
Other gains			152
Loss on fair value changes of financial assets at fair value through profit or loss (“FVTPL”)			(528)
Gain on fair value changes of investment properties			250
Distribution and selling expenses			(3,213)
Administrative expenses			<u>(8,337)</u>
Profit before taxation			<u><u>7,723</u></u>

For the six months ended 30 June 2018 (unaudited)

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

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	
	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (unaudited)
Interest income on bank deposits	483	38	1,056	68
Dividend income from financial assets at FVTPL	—	—	800	6,104
Government grants	2,000	—	2,000	—
Rental income	95	95	95	95
	<u>2,578</u>	<u>133</u>	<u>3,951</u>	<u>6,267</u>

6. OTHER GAINS

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	<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>1,249</u>	<u>2,664</u>	<u>152</u>	<u>508</u>

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	193	116	387	262
Amortisation of cemetery assets (included in cost of sales and services)	<u>98</u>	<u>89</u>	<u>186</u>	<u>176</u>
Total depreciation and amortisation	<u>291</u>	<u>205</u>	<u>573</u>	<u>438</u>
Cost of inventories recognised as an expense	<u>1,136</u>	<u>986</u>	<u>2,114</u>	<u>2,425</u>
Staff costs, including Directors' remuneration:				
Salaries, wages and other benefits	1,680	1,066	3,089	2,176
Retirement benefits scheme contributions	<u>104</u>	<u>67</u>	<u>227</u>	<u>129</u>
Total staff costs	<u>1,784</u>	<u>1,133</u>	<u>3,316</u>	<u>2,305</u>

8. INCOME TAX EXPENSES/(CREDIT)

	Three months end 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current enterprise income tax	985	1,657	2,715	4,391
Deferred tax	<u>(70)</u>	<u>(3,449)</u>	<u>(70)</u>	<u>(3,449)</u>
	<u>915</u>	<u>(1,792)</u>	<u>2,645</u>	<u>942</u>

9. EARNINGS/(LOSSES) PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings/(Losses)				
Earnings/(losses) for the purpose of calculating basic earnings/(losses) per share (profit/(loss) for the period attributable to owners of the Company)	<u>1,344</u>	<u>(2,921)</u>	<u>5,078</u>	<u>8,627</u>
Numbers of shares				
Weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>

No diluted earnings per share were presented for both the three months and six months ended 30 June 2019 and 2018 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 2018: nil).

11. INVESTMENT PROPERTIES

	<i>RMB'000</i>
Fair value	
At 31 December 2018 (audited)	5,660
Gain on fair value changes of investment properties	<u>250</u>
At 30 June 2019 (unaudited)	<u>5,910</u>

The fair values of the Group's investment properties as at 30 June 2019 and 31 December 2018 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 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Prepaid lease payments	4,383	5,292
Landscape facilities	3,114	3,277
Development costs	424	512
	<u>7,921</u>	<u>9,081</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Unlisted investments	<u>8,317</u>	<u>8,845</u>

At 31 December 2018 and 30 June 2019, the Group has 10% 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), which was classified as financial assets at FVTPL upon initial application of IFRS 9 on 1 January 2018. During the six months ended 30 June 2019, the amount of loss on fair value changes of financial assets at FVTPL of RMB528,000 (six months ended 30 June 2018: RMB13,945,000) was charged to profit or loss.

The fair values of the investment 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 2019 (unaudited) RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL	8,317	Level 3	Market approach: based on the target companies' financial performance and the multiples of comparable companies	P/B ratio: 0.86 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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade payables	701	1,043
Accrued expenses	9,639	8,427
	<u>10,340</u>	<u>9,470</u>

The following is an aged analysis of trade payables based on the invoice date at 30 June 2019 and 31 December 2018:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 1 year	587	922
1 to 2 years	26	25
Over 3 years	88	96
	<u>701</u>	<u>1,043</u>

15. CONTRACT LIABILITIES

Contract liabilities represent the obligations to transfer burial plots, columbarium units and cemetery maintenance services in accordance with the revenue recognition policy and the nature of the business.

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Carrying amount analysed as:		
Amounts shown under current liabilities	17,397	9,096
Amounts shown under non-current liabilities	<u>55,529</u>	<u>52,697</u>
	<u><u>72,926</u></u>	<u><u>61,793</u></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 plots 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 2019, the Group generated revenue from the provision of cemetery maintenance services in the amount of approximately RMB1,725,000 (six months ended 30 June 2018: RMB1,606,000).

16. SHARE CAPITAL

	Number of shares	RMB'000
Ordinary shares of United States Dollar (“US\$”) 0.01 each Authorised:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	<u>3,000,000,000</u>	<u>205,984</u>
Issue and fully paid:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	<u>1,000,000,000</u>	<u>66,192</u>

17. LEASES COMMITMENTS

The Group as lessor

The investment properties held by the Group for rental purpose have committed tenants for two years with fixed rental.

At the end of each reporting period, the Group had contracted with tenants for the following future lease payments under non-cancellable leases:

	At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Within one year	200	200
In the second to the fifth year, inclusive	<u>100</u>	<u>200</u>
	<u><u>300</u></u>	<u><u>400</u></u>

The Group as lessee

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

	At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Within one year	<u>303</u>	<u>—</u>

18. CAPITAL COMMITMENTS

	At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Contracted but not provided for in the condensed consolidated financial statements:		
— Expenditure in respect of construction of columbarium units recorded as inventories	<u>5,210</u>	<u>—</u>

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Salaries and other benefits	474	461
Contribution to retirement benefit scheme	22	21
Discretionary performance-related bonus	206	204
	<u>702</u>	<u>686</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 and columbarium units, provision of other burial-related services and provision of cemetery maintenance services.

Sales of burial plots and columbarium units and provision of other burial-related services

The Group's burial service consists primarily of (1) sale of burial plots and columbarium units, which includes the right to use the burial plots and headstones and other ancillary products to be used on the burial plots, and the right to use the columbarium units; and (2) other burial-related services such as the organization and conducting of interment rituals, the design, construction and landscaping of the burial plots, and the engraving of inscriptions and ceramic photographs on the headstones. Burial service is the largest component of the Group's revenue, representing 90.8% of its revenue for the six months ended 30 June 2019 (2018: 93.7%). 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 signing the sales contracts to purchase the burial plots. The Group's revenue from cemetery maintenance was RMB1,725,000 for the six months ended 30 June 2019 (2018: RMB1,606,000).

Application for the transfer of Listing from GEM to Main Board

The Company made an application for the transfer of Listing from GEM to Main Board on 28 May 2019. Please refer to the Company's announcement dated 28 May 2019 for details.

FINANCIAL REVIEW

Revenue

The Group's revenue was decreased by 25.9% from RMB25.4 million for the six months ended 30 June 2018 to RMB18.8 million for the six months ended 30 June 2019, primarily driven by a decrease in revenue from burial service. The Group's revenue from burial service decreased by 28.2% from RMB23.8 million for the six months ended 30 June 2018 to RMB17.1 million for the six months ended 30 June 2019, primarily due to (1) no revenue from sale of columbarium units during the six months ended 30 June 2019 as compared to approximately RMB 4.1 million of such revenue recorded in the corresponding period in 2018; and (2) decrease of number of sold burial plots.

Cost of sales and services

The Group's cost of sales and services was approximately at RMB3.4 million for both the six months ended 30 June 2018 and 30 June 2019. The Group's cost of sales and services for burial service decreased by 4.9% from RMB3.3 million for the six months ended 30 June 2018 to RMB3.1 million for the six months ended 30 June 2019, primarily due to the decrease in sales of burial plots and columbarium units, and partly offset by the increase in the average cost of burial plots and burial services.

The Group's cost of sales and services for cemetery maintenance increased slightly from RMB0.15 million for the six months ended 30 June 2018 to RMB0.24 million for the six months ended 30 June 2019, 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 decreased by 29.6% from RMB22.0 million for the six months ended 30 June 2018 to RMB15.4 million for the six months ended 30 June 2019. The Group's overall gross profit margin decreased from 86.5% for the six months ended 30 June 2018 to 82.2% for the six months ended 30 June 2019.

The Group's gross profit for burial service decreased by 31.9% from RMB20.5 million for the six months ended 30 June 2018 to RMB14.0 million for the six months ended 30 June 2019, while the gross profit margin decreased from 86.2% for the six months ended 30 June 2018 to 81.8% for the six months ended 30 June 2019, and such decrease was primarily due to sales of three columbarium units in 2018 with higher gross profit margin.

The gross profit for cemetery maintenance was RMB1.5 million and RMB1.5 million for the six months ended 30 June 2018 and 2019, respectively. The gross profit margin for cemetery maintenance decreased from 90.4% for the six months ended 30 June 2018 to 86.1% for the six months ended 30 June 2019, which is considered fairly stable in terms of absolute amount.

Other income

The Group's other income decreased by 37.0% from RMB6.3 million for the six months ended 30 June 2018 to RMB4.0 million for the six months ended 30 June 2019. This decrease was primarily due to the decrease in dividends income from financial assets at FVTPL for the six months ended 30 June 2019 subsequent to the sale of certain financial assets at FVTPL in August 2018.

Distribution and selling expenses

The Group's distribution and selling expenses increased by 6.1% from RMB3.0 million for the six months ended 30 June 2018 to RMB3.2 million for the six months ended 30 June 2019. This increment was primarily due to increase in (1) salary and staff costs and (2) commission paid to partnered funeral service providers.

Administrative expenses

The Group's administrative expenses increased by 256.4% from RMB2.3 million for the six months ended 30 June 2018 to RMB8.3 million for the six months ended 30 June 2019. This increment was primarily due to professional fees and other expenses incurred in 2019 for the application for transfer of Listing from GEM to Main Board, which amounted to RMB5.3 million.

Income tax expenses

The Group's income tax expenses increased by 180.8% from RMB0.9 million for the six months ended 30 June 2018 to RMB2.6 million for the six months ended 30 June 2019, primarily due to a higher deferred tax credit resulting from loss on fair value changes of financial assets at FVTPL in 2018.

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 41.1% from RMB8.6 million for the six months ended 30 June 2018 to RMB5.1 million for the six months ended 30 June 2019. The Group's net profit margin decreased from 34.0% for the six months ended 30 June 2018 to 27.0% for the six months ended 30 June 2019, primarily due to (1) the decrease in revenue from sales of burial plots and columbarium units of approximately RMB6.7 million primarily due to record of sales of three columbarium halls amounted to approximately RMB4.1 million for the six months ended 30 June 2018, while no such sales was recognized for the six months ended 30 June 2019; (2) the increase in professional fees and other expenses incurred in 2019 for the application for transfer of Listing from GEM to Main Board of approximately RMB5.3 million; (3) the increase in income tax expenses of approximately RMB1.7 million mainly attributable to the decrease in deferred tax credit resulting from loss on fair value changes of financial assets at fair value through profit or loss for the six months ended 30 June 2018; and partially net off by (4) the decrease in loss on fair value changes of financial assets at fair value through profit or loss of approximately RMB13.4 million.

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flows. The Group's total equity was RMB134.0 million as at 30 June 2019, compared to RMB128.9 million as at 31 December 2018. Total assets amounted to RMB228.4 million as at 30 June 2019, compared to RMB221.0 million as at 31 December 2018, of which RMB185.8 million (2018: RMB191.4 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 2019 and 31 December 2018.

Gearing ratio

As at 30 June 2019, the gearing ratio of the Group, being total liabilities to total assets, was 41.3% (31 December 2018: 41.7%), 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 2019, the Group had a total of 58 employees (30 June 2018: 64 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 2019, the Group has two operating and reporting segments namely (1) sales of burial plots and columbarium units and provision of other burial-related services and (2) provision of cemetery maintenance service.

PROSPECTS

The Group aspires to strengthen its market position in Langfang and expand its business in the Jing-Jin-Ji megalopolis and beyond through (1) expanding its business scope to provide funeral services; (2) tapping further into the burial services market in the Jing-Jin-Ji megalopolis; (3) providing columbarium collective storage services, actively cooperating and supporting the government's city demolition and transformation plan; and (4) pursuing strategic alliance and acquisition opportunities.

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.

In respect of provision of columbarium collective service, the Company contracted with a customer regarding the sale of certain units of the three columbaria under development and to provide maintenance services in February 2019. The construction of the related columbaria is expected to complete by the third quarter this year and the sales revenue related to this contract is expected to be recognized in the second half of this year once the columbarium units are delivered to the customer. If the sale materializes as scheduled, the Company expects that there will be a substantial increase in revenue from the sale of columbarium units for the year ending 31 December 2019 as compared to that of 2018. The Company will make relevant updates in the disclosure of its financial results announcement as and when appropriate.

The Directors are confident that the Group's core business can be strengthened with its commitment and innovation.

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 2019 is set out below:

Objects	Implementation plan up to 30 June 2019	Actual business progress up to 30 June 2019
Strengthening the market position in Langfang	<p>(1) Upgrading the environment and roads in the cemetery and developing new sectioned burial areas</p> <p><i>(i) Designing and constructing burial plots</i></p> <ul style="list-style-type: none"> • Designing and constructing family graves, tree burial services and flower burial services • Constructing sculptures for sea burial services 	<ul style="list-style-type: none"> • Designed and constructed the family graves in crypt-style and hill-style • Designed sea burial services • Carrying out relevant construction for flower burial and tree burial services as well as relevant burial plots according to customers’ requirements from time to time • Designed and started providing flower burial and tree burial services

Objects	Implementation plan up to 30 June 2019	Actual business progress up to 30 June 2019
	<i>(ii) Upgrading the environment of the sectioned burial areas and roads in the cemetery</i>	
	<ul style="list-style-type: none"> • Upgrading the main entrance area and roads of cemetery • Upgrading the gardening, designing and building the landscape connecting different sectioned burial areas in the cemetery • Constructing and polishing an artificial hill in the northern part of the cemetery • Building waterscape with Chinese traditional cultural elements • Upgrading the monitoring system of the cemetery • Designing memorial for the body donors • Building a platform to conduct public memorial ceremonies 	<ul style="list-style-type: none"> • Upgraded the main entrance area and roads and passages of the western part of the cemetery • Completed the gardening and building of the landscape connecting different sectioned burial areas • Designed memorial for the body donors • Upgrading for the greening appearance of main entrance of the cemetery is underway

Objects	Implementation plan up to 30 June 2019	Actual business progress up to 30 June 2019
	(iii) <i>Developing Rose Garden, Langfang Garden and artistic burial areas</i>	<ul style="list-style-type: none"> • Renamed Rose Garden to Pine Garden, the design of which is in progress • Artistic burial areas are under continuous development
	(2) Acquisition of additional facilities and vehicles	
	<ul style="list-style-type: none"> • Upgrading existing facilities and machinery and purchasing additional ones (such as waste incinerators and lawn mowers) for gardening and interment rituals, if required by business development 	<ul style="list-style-type: none"> • Purchased lawn mowers sprinkler truck, and, purchased and installed incinerators
Expanding the business scope of providing funeral services	(1) Locating, leasing, designing and decorating premises for the operation of funeral services center and funeral services store in the living community	<ul style="list-style-type: none"> • Service sites at Langfang Funeral Home have been set up and funeral services specialists have been sent on-site • Construction of the funeral hall at the cemetery has been completed and the Group already started providing improved interment ritual services • The Group is still searching for suitable venue as a funeral services center
	(2) Recruiting and training staff for provision of funeral services	<ul style="list-style-type: none"> • Six people including the manager of the funeral services center have been recruited and over 10 people have been provided with training

Objects	Implementation plan up to 30 June 2019	Actual business progress up to 30 June 2019
Tapping further into the burial market in the Jing-Jin-Ji megalopolis & pursuing strategic alliance and acquisition opportunities	<p>(3)</p> <ul style="list-style-type: none"> • Conducting marketing activities for the Group’s funeral services via mass media (such as newspapers) • Purchasing vehicles for funeral rituals and other business operation 	<ul style="list-style-type: none"> • A funeral vehicle and two electric vehicles have been purchased • Media promotion for the funeral services center has not been carried out yet
	Liaising and cooperating with more Beijing-based funeral services providers and mortuaries	<ul style="list-style-type: none"> • The Group has liaised and started cooperations with eight Beijing-based funeral services providers and one hospital mortuary, while further marketing activities are in progress • The Group is also negotiating with other potential partners
	Establishing the first Beijing-based store for marketing purpose	<ul style="list-style-type: none"> • Not set up yet. Aim to seek suitable site in Beijing in second half of 2019
	Selecting potential targets for acquisition and conducting acquisition	<ul style="list-style-type: none"> • The Group has conducted site visits to projects in various regions such as Beijing, Tianjin, Hebei, etc. A few projects were selected for further investigation, and no agreement has been entered into nor any initial payment has been made

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the GEM Listing, after deducting listing related expenses, were approximately HK\$43.6 million (equivalent to approximately RMB36.4 million). The following table sets forth a breakdown of the Group's use of proceeds up to 30 June 2019:

	Proposed use of net proceeds as stated in the Prospectus^{Note} RMB'000	Actual use of net proceeds up to 30 June 2019 RMB'000	Unutilized net proceeds as at 30 June 2019 RMB'000
Strengthening market position in Langfang	14,559	6,197	8,362
Expanding business scope of the Group to provide funeral services	9,100	405	8,695
Tapping further into the burial market in the Jing-Jin-Ji megalopolis & pursuing strategic alliance and acquisition opportunities	12,739	599	12,140
	<u>36,398</u>	<u>7,201</u>	<u>29,197</u>
Total	<u>36,398</u>	<u>7,201</u>	<u>29,197</u>

Note:

Figures in this column are adjusted based on the actual amount of net proceeds received from the GEM Listing. The difference between the actual amount of net proceeds received and the expected amount disclosed in the Prospectus was allocated on a pro rata basis with reference to the percentage of allocation set out in the Prospectus.

As at 30 June 2019, the net proceeds of approximately RMB29.2 million have not been utilized and are held by the Company in short-term deposits with licensed banks in Hong Kong.

Updated information on the use of the Net Proceeds

Since the GEM Listing, the Group has been planning to upgrade its facilities and monitoring system to keep up with the evolving market and to improve the security level of the cemetery. However, during the implementation of the upgrading plans, there were certain delays due to (1) the Group's prudent approach for the continuous upgrades of the main entrance area and roads and passages in the cemetery, and the building of a platform to conduct public memorial ceremonies; and (2) the lengthy negotiation procedures with certain external services providers for details of service contracts.

In respect of expanding business scope to provide funeral services, the Group initially planned to establish and operate its new funeral services center as stated in the Prospectus and to cooperate with the existing funeral parlor in Langfang. Yet, in early 2018, the Group was aware of the local government's plan to build a new funeral parlor for replacing the existing one. Given that further information in relation to the construction of the new funeral parlor was only released by the local government in late 2018, the Group had slowed down its progress in establishing its new funeral services center until the construction of the new funeral parlor became more certain for the Group to plan and adjust, where necessary, its implementation plan for cooperation with the new funeral parlor and provision of funeral services. Despite the Group has slowed down the progress of establishing its new funeral services center, considering (i) the expansion of the Group's funeral services would enable the Group to integrate the funeral and burial services, conferring the Group a competitive advantage and hence further strengthen its market position; and (ii) the construction of the new funeral parlor is expected to be completed in the next two or three years, the Group has started recruiting and training its staff to provide funeral services in the future and is seeking an appropriate venue for its new funeral services center. It is expected that the Group would lease such venue in the fourth quarter of 2019. With more experience and well-trained staff in funeral services, the Group, in the long run, plans to seek further opportunities to cooperate with the new funeral parlor after its commencement of operation.

Since the Listing, the Company has performed preliminary site visits and researched for some potential acquisition opportunities for the purpose of pursuing strategic alliance and acquisition opportunities according to the future plans under the Prospectus. However, in view of the price and compliance with relevant laws and regulations of the potential target projects, the Company found few suitable acquisition opportunities to proceed and it was in a preliminary stage that no agreement has been entered into as at the date of this announcement. The Company is still proactively seeking suitable strategic alliance and acquisition opportunities.

The Group has been investing time and effort to build its brand awareness for the purpose of strengthening its market position in Langfang and capturing the growth in the nearby markets. Since the Listing, the Group had been liaising with multiple Beijing-based funeral services providers, and had successfully built cooperation and partnership with them, mainly for referring customers and marketing of the Group's cemetery and burial services. The Directors believe that customers' brand awareness is important for the Group to strengthen its market position in Langfang and expand its business nearby, thus moving on to the second half of 2019, the Group aims to further boost its network in the Jing-Jin-Ji megalopolis by partnerships establishment, brand promotion and provision of one-stop-shop services integrating funeral and burials services.

The Directors believe that the delay in the implementation or due adjustments of its business plans would not have material adverse impact on the Group but better aligned with the changing market needs and the redevelopment plan of the local government. The Group will continue to pursue its business strategies as disclosed above and intends to use the unutilized proceeds as below:

	For the six months ending 31 December 2019 RMB'000	For the year ending 31 December 2020 RMB'000	Total RMB'000
Strengthening market position in Langfang			
— upgrading the environment and roads of the cemetery and developing new sectioned burial areas	2,600	4,900	7,500
— acquisition of additional facilities and vehicles	400	462	862
<i>Sub-total</i>	<i>3,000</i>	<i>5,362</i>	<i>8,362</i>
Expanding the business scope of the Group to provide funeral services^{Note}			
— locating, leasing, designing and decorating premises for the operation of funeral services center and funeral services store in the living community	900	1,080	1,980
— recruiting and training staff for provision of funeral services	300	620	920
— conducting marketing activities for the Group's funeral services, purchasing vehicles for funeral rituals and other business operation	250	800	1,050
<i>Sub-total</i>	<i>1,450</i>	<i>2,500</i>	<i>3,950</i>
Tapping further into the burial market in the Jing-Jin-Ji megalopolis & pursuing strategic alliance and acquisition opportunities			
	10,000	2,140	12,140
Total	14,450	10,002	24,452

Note:

As explained above, considering that the relocation of the funeral parlor by the local government would bring about new opportunities in the funeral services industry in the next two or three years, the Group would, in the first place, operate a funeral services center at a leased venue, rather than constructing a new funeral services center as originally planned. Due to the same reason, the net proceeds allocated to this business strategy would be utilized in a more prudent manner and at the end of 2020, it is estimated that there will be unutilized net proceeds in the amount of approximately RMB4.8 million. In particular, the Group may consider reserving this part of unutilized proceeds for setting up a new funeral services center or relocation of the funeral services center to be operated, in the future.

The Company will make further announcement and will comply with the disclosure requirements under rules 18.08A and 18.32 of the GEM Listing Rules, if there is any further update on the use of the net proceeds and the unutilized amount.

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 2019, the Group did not have any material contingent liabilities.

As at 30 June 2019, the Group had capital commitments in respect of construction of columbarium units recorded as inventories of approximately RMB5.2 million.

EVENTS AFTER THE REPORTING PERIOD

No important event affecting the Group have occurred subsequent to 30 June 2019 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 CHIEF EXECUTIVE

As at 30 June 2019, the interests and short positions of each of the Directors and chief executive 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:

Name of the Director	Capacity/nature of interests	Number and class of Securities	Percentage of Shareholding (Note 3)
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.
- (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 2019.

Save as disclosed above, as at 30 June 2019, 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 2019, 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:

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

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 2019.

Save as disclosed above, as at 30 June 2019, 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 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 2019, 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:

Name of shareholders	Capacity/nature of interests	Number and class of Securities (Note 1)	Percentage of Shareholding (Note 3)
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 2019.

Save as disclosed above, as at 30 June 2019, 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 2019, 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 2019.

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, 8 August 2019

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 be available on the Company's website at www.lfwt.com and will remain on the "Latest Listed Company Information" page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting.