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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)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 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 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 “Director(s)”) of China Wan Tong Yuan (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particular given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 be available on the Company’s website <http://www.lfwt.com> and will remain on the “Latest Company Announcements” page on the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting.*

The board of directors (the “Board”) of the Company hereby presents the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

#### **FINANCIAL HIGHLIGHTS**

- The revenue of the Group amounted to approximately RMB43,385,000 for the year ended 31 December 2018 (2017: RMB38,617,000) which represented an increase of RMB4,768,000 or 12.3% as compared with the year of 2017.
- The profit attributable to owners of the Company was RMB28,247,000 for the year ended 31 December 2018 (2017: RMB7,123,000), which represented an increase of RMB21,124,000 or 296.6% as compared with the year of 2017.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

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

*For the year ended 31 December 2018*

		<b>Year ended 31 December</b>	
		<b>2018</b>	2017
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	<b>43,385</b>	38,617
Cost of sales and services		<u><b>(6,954)</b></u>	<u>(7,000)</u>
Gross profit		<b>36,431</b>	31,617
Other income	4	<b>10,328</b>	4,418
Other gains/(losses)	5	<b>2,461</b>	(395)
Loss on fair value changes of financial assets at fair value through profit or loss		<b>(2,796)</b>	—
Gain on fair value changes of investment properties		<b>250</b>	140
Distribution and selling expenses		<b>(5,648)</b>	(4,641)
Administrative expenses		<b>(5,726)</b>	(3,247)
Initial public offering expenses		<u>—</u>	<u>(13,997)</u>
Profit before taxation	6	<b>35,300</b>	13,895
Income tax expense	7	<u><b>(7,053)</b></u>	<u>(6,772)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u><b>28,247</b></u>	<u>7,123</u>
Earnings per share			
Basic (RMB)	8	<u><b>0.028</b></u>	<u>0.009</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2018*

		<b>At 31 December</b>	
	<i>NOTES</i>	<b>2018</b>	2017
		<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,499</b>	2,631
Investment properties		<b>5,660</b>	5,410
Cemetery assets	10	<b>9,081</b>	9,092
Available-for-sale investments	2.2	—	71,300
Financial assets at fair value through profit or loss		<b>8,845</b>	—
		<u><b>27,085</b></u>	<u>88,433</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>2,001</b>	3,537
Prepayments and other receivables	11	<b>465</b>	312
Amounts due from related parties		—	2,058
Bank balances and cash		<b>191,412</b>	81,720
		<u><b>193,878</b></u>	<u>87,627</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	<b>9,470</b>	21,185
Amount due to a related party		—	752
Contract liabilities	13	<b>9,096</b>	—
Deferred income	2.1	—	3,220
Income tax payable		<b>18,685</b>	11,679
		<u><b>37,251</b></u>	<u>36,836</u>
<b>NET CURRENT ASSETS</b>		<u><b>156,627</b></u>	<u>50,791</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>183,712</b></u>	<u>139,224</u>

		<b>At 31 December</b>	
		<b>2018</b>	2017
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Contract liabilities	13	<b>52,697</b>	—
Deferred income	2.1	—	48,487
Deferred tax liabilities		<b>2,085</b>	2,310
		<u><b>54,782</b></u>	<u>50,797</u>
<b>NET ASSETS</b>		<u><b>128,930</b></u>	<u>88,427</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>66,192</b>	66,192
Reserves		<b>62,738</b>	22,235
<b>Equity attributable to owners of the Company</b>		<u><b>128,930</b></u>	<u>88,427</u>
<b>TOTAL EQUITY</b>		<u><b>128,930</b></u>	<u>88,427</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 1 January 2017	32,000	—	2,315	—	20,833	55,148
Profit and total comprehensive income for the year	—	—	—	—	7,123	7,123
Issue of share capital of the Company	1	—	—	—	—	1
Issue of new shares to the public	16,548	42,760	—	—	—	59,308
Transaction costs attributable to issue of new ordinary shares	—	(7,485)	—	—	—	(7,485)
Capitalisation issue of shares	49,643	(35,275)	—	(5,023)	(9,345)	—
Transfer to statutory surplus reserve	—	—	1,728	—	(1,728)	—
Deemed distribution ( <i>note a</i> )	(32,000)	—	—	(23,500)	—	(55,500)
Waiver of debt owed to Mr. Wang Jianjun ( <i>note b</i> )	—	—	—	32,500	—	32,500
Tax charge on the waiver from Mr. Wang Jianjun ( <i>note b</i> )	—	—	—	(8,125)	—	(8,125)
Waiver of debt owed to Ms. Zhao Ying ( <i>note b</i> )	—	—	—	5,457	—	5,457
At 31 December 2017	66,192	—	4,043	1,309	16,883	88,427
Fair value gain on equity securities upon initial application of IFRS 9 ( <i>note 2.2</i> )	—	—	—	—	12,256	12,256
At 1 January 2018 (restated)	<b>66,192</b>	—	<b>4,043</b>	<b>1,309</b>	<b>29,139</b>	<b>100,683</b>
Profit and total comprehensive income for the year	—	—	—	—	28,247	28,247
Transfer to statutory surplus reserve	—	—	2,723	—	(2,723)	—
At 31 December 2018	<b>66,192</b>	—	<b>6,766</b>	<b>1,309</b>	<b>54,663</b>	<b>128,930</b>

*Notes:*

- (a) During the year ended 31 December 2017, Langfang Wantongyuan Corporation Investment Co., Ltd. (“Wantongyuan Investment”), formerly known as Langfang Wantongyuan Corporation Management Co., Ltd., a company established in the People’s Republic of China (the “PRC”) as a subsidiary of 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.
  
- (b) On 30 August 2017, Mr. Wang Jianjun, the husband of Ms. Zhao Ying who is the ultimate controlling shareholder of the Company (see note 1), agreed to waive an amount of RMB32,500,000 payable to him by Wantongyuan Investment, which was accounted for as a deemed contribution to the Group. This deemed contribution is subject to a tax charge of approximately RMB8,125,000. On 7 September 2017, Ms. Zhao Ying agreed to waive the amounts of RMB5,023,000 and RMB434,000 payable to her by the Company and Wan Tong (HK) Company Limited (“Wan Tong HK”), a subsidiary of the Company, respectively, which were accounted for as deemed contributions to the Group. As the Company is incorporated in the Cayman Islands and Wan Tong HK is incorporated in Hong Kong, the Group is not subject to tax on the waiver of the aforesaid payable to Ms. Zhao Ying.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 address of the registered office of the Company is 2nd Floor, the Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands. The address of its principal place of business is Baganqu North, Economic and Technological Development Area, Langfang, Hebei, the PRC. 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 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. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

#### **New and Amendments to IFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to IFRSs for the first time in the current year:

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 early applied Amendments to IFRS 9 *Prepayment Features with Negative Compensation* which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2.1 IFRS 15 Revenue from Contracts with Customers

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

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.

The Group recognises revenue from the following major sources which arise from contracts with customers:

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

### *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 consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

		<b>Carrying amounts previously reported at 31 December 2017</b>	<b>Reclassification</b>	<b>Carrying amounts under IFRS 15 at 1 January 2018*</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<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
		<u>          </u>	<u>          </u>	<u>          </u>

\* 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, respectively) 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 consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the year then ended 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 consolidated statement of profit or loss and other comprehensive income for the current year.

***Impact on the consolidated statement of financial position***

	<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	9,470	5,392	14,862
Deferred income	—	3,704	3,704
Contract liabilities	9,096	(9,096)	—
<b>Non-current Liabilities</b>			
Deferred income	—	52,697	52,697
Contract liabilities	52,697	(52,697)	—

***Impact on the consolidated statement of cash flows***

	<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>OPERATING ACTIVITIES</b>			
Decrease in advance from customers	—	(3,749)	(3,749)
Increase in contract liabilities	945	(945)	—
Increase in deferred income	—	4,694	4,694

## 2.2 IFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied IFRS 9 *Financial instruments*, Amendments to IFRS 9 *Prepayment 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 under ECL model) 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.

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

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

The table below illustrates the classification and measurement 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 fair value through profit or loss ("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 — IAS 39</b>	71,300	—	2,310	16,883
<b>Reclassification</b>				
From available-for-sale investments ( <i>note b</i> )	(71,300)	71,300	—	—
<b>Remeasurement</b>				
From cost less impairment to fair value ( <i>note b</i> )	—	16,341	4,085	12,256
<b>Opening balance at 1 January 2018</b>	—	87,641	6,395	29,139

*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 12-month 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.

**2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards and amendments**

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	<b>31 December 2017 (audited) RMB'000</b>	<b>IFRS 15 RMB'000</b>	<b>IFRS 9 RMB'000</b>	<b>1 January 2018 (restated) RMB'000</b>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale investments	71,300	—	(71,300)	—
Financial assets at FVTPL	—	—	87,641	87,641
<b>CURRENT LIABILITIES</b>				
Trade and other payables	21,185	(9,141)	—	12,044
Contract liabilities	—	12,361	—	12,361
Deferred income	3,220	(3,220)	—	—
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
	139,224	—	16,341	155,565
<b>NON-CURRENT LIABILITIES</b>				
Contract liabilities	—	48,487	—	48,487
Deferred income	48,487	(48,487)	—	—
Deferred tax liabilities	2,310	—	4,085	6,395
<b>NET ASSETS</b>				
	88,427	—	12,256	100,683
<b>RESERVES</b>				
Reserves	22,235	—	12,256	34,491
Equity attributable to owners of the Company	<u>88,427</u>	<u>—</u>	<u>12,256</u>	<u>100,683</u>

*Note:* For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

### 3. REVENUE AND OPERATING SEGMENTS

#### A. For the year ended 31 December 2018

##### (i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2018	
	Sales of burial plots and provision of other burial- related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>
<b>Types of goods and service</b>		
Sales of burial plots	37,387	—
Provision of other burial-related services	2,619	—
Provision of cemetery maintenance services	—	3,379
Total	<u>40,006</u>	<u>3,379</u>
<b>Timing of revenue recognition</b>		
A point in time	37,387	—
Over time	2,619	3,379
Total	<u>40,006</u>	<u>3,379</u>

All of the Group's revenue is generated in the PRC based on where goods are sold or services are rendered, and substantially all of the Group's identifiable assets and liabilities are located in the PRC.

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

	<b>For the year ended 31 December 2018</b>	
	<b>Sales of burial plots and provision of other burial- related services <i>RMB'000</i></b>	<b>Provision of cemetery maintenance services <i>RMB'000</i></b>
Revenue disclosed in segment information		
External customers	40,006	3,379
Revenue from contracts with customers	40,006	3,379

**(ii) Performance obligations for contracts with customers**

*Sales of burial plots with maintenance services (multiple performance obligations)*

For contracts entered into with customers on sales of burial plots, the relevant burial plots specified in the contracts have no alternative use to the Group. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the burial plots to customers. Revenue from sales of burial plots is therefore recognised at a point in time when the burial plot is transferred to customers, being at the point that the customer obtains the control of the burial plots and the Group has present right to payment and collection of the consideration is probable.

The cemetery maintenance service is considered to be a distinct service. Transaction price is allocated between sales of burial plots and the maintenance services on a relative stand-alone selling price basis. Revenue relating to the maintenance services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight line basis over the period of service.

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.

*Provision of other burial-related services*

Other burial-related services represented revenues from miscellaneous services such as the organisation and conducting of burial rituals, the design and landscaping of the burial sites and additional engraving fees. Revenue relating to these burial-related services is recognised over time.

**(iii) Transaction price allocated to the remaining performance obligation for contracts with customers**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	<b>Sales of burial plots</b>	<b>Provision of cemetery maintenance services</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within one year/on demand	4,037	5,059
More than one year but not more than two years	—	3,801
More than two years	—	48,896
	<u>4,037</u>	<u>57,756</u>

**B. For the year ended 31 December 2017**

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December 2017 <i>RMB'000</i>
Sales of burial plots	32,170
Provision of other burial-related services	3,396
Provision of cemetery maintenance services	<u>3,051</u>
	<u>38,617</u>

**C. Operating segments**

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers, including Ms. Li Xingying, the general manager of Langfang Wantong, Mr. Huang Guangming and Mr. Yu Minghua, the deputy general managers of Langfang Wantong (collectively, the "CODM"), that are used to make strategic decisions. Information reported to the CODM is based on the products and services delivered or provided by the Group.

The Group's operating and reporting segments are (i) sales of burial plots and provision of other burial-related services; and (ii) provision of cemetery maintenance services in the PRC.

## Segment revenue and results

Year ended 31 December 2018

	<b>Sales of burial plots and provision of other burial- related services <i>RMB'000</i></b>	<b>Provision of cemetery maintenance services <i>RMB'000</i></b>	<b>Total <i>RMB'000</i></b>
Segment revenue	<u>40,006</u>	<u>3,379</u>	<u>43,385</u>
Segment results	<u>33,421</u>	<u>3,010</u>	<u>36,431</u>
Other income			10,328
Other gains			2,461
Loss on fair value changes of financial assets at FVTPL			(2,796)
Gain on fair value changes of investment properties			250
Distribution and selling expenses			(5,648)
Administrative expenses			<u>(5,726)</u>
Profit before taxation			<u><u>35,300</u></u>

Year ended 31 December 2017

	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	35,566	3,051	38,617
Segment results	29,187	2,430	31,617
Other income			4,418
Other losses			(395)
Gain on fair value changes of investment properties			140
Distribution and selling expenses			(4,641)
Administrative expenses			(3,247)
Initial public offering expenses			(13,997)
Profit before taxation			<u>13,895</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the gross profit attributable to each segment without allocation of other income, other gains or losses, loss on fair value changes of financial assets at FVTPL, gain on fair value changes of investment properties, distribution and selling expenses, administrative expenses and initial public offering expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. There were no inter-segment revenue during the current and prior years. No analysis of segment assets and liabilities is presented as it is not regularly reviewed by the CODM.

#### Information about major customers

No single customer accounted for 10% or more of the Group's revenue for 2018 (2017: nil).

#### 4. OTHER INCOME

	Year ended 31 December	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest income on bank deposits	950	628
Dividend income from financial assets at FVTPL	6,104	—
Dividend income from available-for-sale investments	—	3,600
Government grants	3,084	—
Rental income	190	190
	<u>10,328</u>	<u>4,418</u>

## 5. OTHER GAINS/(LOSSES)

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange gain/(loss), net	<u>2,461</u>	<u>(395)</u>

## 6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remuneration	930	870
Depreciation of property, plant and equipment	677	402
Amortisation of cemetery assets (included in cost of sales and services)	<u>356</u>	<u>250</u>
Total depreciation and amortisation	<u>1,033</u>	<u>652</u>
Cost of inventories recognised as an expense	<u>5,462</u>	<u>5,382</u>
Staff costs, including Directors' remuneration:		
Salaries, wages and other benefits	4,520	3,259
Retirement benefit scheme contributions	<u>297</u>	<u>204</u>
Total staff costs	<u>4,817</u>	<u>3,463</u>

## 7. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current enterprise income tax	11,363	4,537
Deferred tax	<u>(4,310)</u>	<u>2,235</u>
	<u>7,053</u>	<u>6,772</u>

## 8. EARNINGS PER SHARE

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

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	<u>28,247</u>	<u>7,123</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>815,753,425</u>

The number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2017 has been adjusted retrospectively for the effect of the group reorganisation and capitalisation issue as if the group reorganisation and capitalisation issue had been completed on 1 January 2017.

No diluted earnings per share for both 2018 and 2017 were presented as there were no potential ordinary shares in issue for both 2018 and 2017.

## 9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2018 (2017: nil).

## 10. CEMETERY ASSETS

	At 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Prepaid lease payments	5,292	5,463
Landscape facilities	3,277	3,100
Development costs	<u>512</u>	<u>529</u>
	<u>9,081</u>	<u>9,092</u>

The prepaid lease payments have definite useful lives and amortised on a straight-line basis over the lease term of 50 years.

Landscape facilities represent the construction cost of arbors and bridges in the mausoleum. Amortisation for landscape facilities is provided on a straight-line basis over the shorter of the remaining lease term of land or useful life, which is 20 years.

Development costs represent the costs paid for the foundation work and putting the land into the condition ready for development of cemetery business. Amortisation for development costs is provided on a straight-line basis over the estimated useful life (same as prepaid lease payments over the lease term).

Upon commencement of development of an area within the cemetery, the proportionate cemetery assets are transferred to inventories.

#### 11. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Staff advance	30	40
Prepayments	106	77
Others	329	195
	<u>465</u>	<u>312</u>

#### 12. TRADE AND OTHER PAYABLES

	At 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,043	2,353
Advances from customers	—	9,141
Accrued expenses	8,427	8,626
Accrued initial public offering expenses	—	1,065
	<u>9,470</u>	<u>21,185</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	<b>At 31 December</b>	
	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Less than 1 year	922	2,230
1 to 2 years	25	27
2 to 3 years	—	33
Over 3 years	96	63
	<u>1,043</u>	<u>2,353</u>

### 13. 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 31 December</b>	At 1 January
	<b>2018</b>	2018*
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Sales of burial plots	4,037	7,206
Provision of cemetery maintenance services	57,756	53,642
	<u>61,793</u>	<u>60,848</u>
Current	9,096	12,361
Non-current	52,697	48,487
	<u>61,793</u>	<u>60,848</u>

\* The amounts in this column are after the adjustments from the application of IFRS 15.

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

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

Burial services were the largest component of our revenue, representing 92.2% of our revenue for the year ended 31 December 2018 (2017: 92.1%).

The burial services market in Langfang is concentrated. Demand for our burial service and growth in our revenue are driven by the overall demand for burial services in Langfang and the Jing-Jin-Ji megalopolis at large. We believe our reputation, quality of services, and well-maintained and conveniently located facilities allow us to compete effectively in Langfang. The Company is optimistic that this operation will be continuously developed and expanded.

#### *Provision of cemetery maintenance services*

We provide ongoing cemetery maintenance services as an integral part of our burial services to maintain our beautiful landscaped cemetery. Customers pay for maintenance fees upfront when they sign the sales contracts to purchase the burial plots. Our revenue from cemetery maintenance was RMB3.4 million for the year ended 31 December 2018 (2017: RMB3.1 million).

### Strengths

#### *Burial services provider strategically located in Langfang*

Through our longstanding presence in Langfang, we believe that we have accumulated valuable knowledge about the local customs and preferences in terms of burial practices. Leveraging our experience, local knowledge and market reputation, and supported by the available land parcels within our cemetery and the broadened customer base as well as the long-standing stickiness of our customers, we believe we are able to continue to grow our business by making additional burial plots based on customer demand and providing better services. Subject to strict regulatory restrictions and entry barriers and government zoning policies, we therefore believe our well-established operation model presents us a considerable first-mover advantage over potential competitors, assisting us to penetrate the burial services market in Langfang and the Beijing-Tianjin-Hebei (“Jing-Jin-Ji”) megalopolis at large.

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

Instead of basic burial services which only have limited scope for unique designs or customization, we offer diversified burial services to customers with different preferences and budgets and attract local customers who are willing to pay a price premium for unique designs or customization and customers from neighboring cities where affordable burial sites have become increasingly sparse. We can provide more diversified burial services to satisfy customers' various needs with high-quality services of different types; meanwhile, we are able to cater to different preferences of customers by designing diversified traditional and art cemetery, as well as providing various types of burial services, such as tree burial and flower bed burial.

### ***Brand associated with professionalism and commitment to social responsibility***

We operate our cemetery under the brand “萬桐園 (Wan Tong Yuan)” and cooperate with a network of third-party funeral service providers in Langfang which refer customers to us. We believe that our brand exemplifies our professionalism and commitment to social responsibility. We strive to provide professional burial services to our customers. To this end, we provide on-the-job training to all employees, with a strong focus on cultivating their moral character. We believe that employees with sufficient industry experience and a virtuous character are better suited to attending customers in emotional stress with professionalism and delicacy. We also keep abreast of market changes and customer demand from our daily operations.

We have organised various charity activities, including visits to elderly home on Chongyang Festival and participation in a social welfare organization “Love and Companionship”. We focus more on palliative care for the elderly. With the improvement of corporate reputation, we also emphasis more on our role as a revolutionary education base to promote the spirit of revolutionary tradition and to educate the young generation. We are also committed to taking more social responsibilities and responsible for the placement and storage of cremains transferred from urban villages or anonymous cremains referred by social welfare institutions.

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

We believe that our committed, professional, experienced and stable management team enables us to form a vision of long-term development, closely follow the market trends and customer preferences with industry insights to adjust our business strategies and execute our business initiatives on a consistent basis. We provide professional training, scientific and reasonable remuneration system and career path, and attractive benefits package for all employees to achieve health and stable development in our team.

## **Outlook**

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

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

We have set up service sites at Langfang Funeral Home, and assigned specialists to introduce cemetery-related services, deal with pre-service business and promote to and identify potential customers. We plan to further develop our cemetery, especially the environment in cemetery, and upgrade our products. For example, we will further develop the undeveloped area within our cemetery, upgrade our facilities and equipment and improve the environment in the cemetery. We will cater to customers' various needs and preferences by providing more elegant environment with warmer, more diversified and person-centered services. Moreover, through contact and communications with more clients and institutions of elderly services to invite more clients to our events and to organize recreation and sports events for the elderly, we will strengthen our market position in Langfang.

### ***Expand our business scope to provide funeral services***

We generated substantially all of our revenues from burial services during the current and prior years. We have forged stable business relationship with a number of local funeral services providers which refer customers to us. We believe, however, that one-stop-shop services that integrate funeral and burial services are able to confer a significant competitive advantage, as bereaved families generally prefer dealing with fewer service providers to ensure a seamless and smooth experience at each stage of the process. We will strengthen our cooperation with the community, enterprise unions and institutions of elderly services to expand the coverage of our funeral services.

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

Leveraging on our strategic location in Langfang and proximity to regional hubs in the Jing-Jin-Ji megalopolis, we plan to tap further into the burial services market in this region, especially in Beijing, where affordable burial sites have become increasingly sparse and local residents become increasingly mobile with the integration of communities and the construction of a web of high-speed intercity transportation infrastructure. We plan to devote more marketing resources to serving the neighboring cities and develop further cooperation with local funeral service providers as our business partners. We target to set up cooperation relationships with more Beijing funeral service providers in 2019 and 2020 to promote our burial services locally. Meanwhile, we plan to cooperate with local funeral homes and hospital mortuaries to access bereaved families in a more direct and more prompt way, so that we can react immediately to provide high-quality funeral and burial services for our customers.

### **Provide columbarium settlement service, actively cooperating and supporting the government's city demolition and transformation plan**

The rapid development of Langfang benefits from the overall development of the Jing-Jin-Ji megalopolis and is the process of economic and civilized construction and development at the same time. While carrying out the urban planning and construction, and settling the villagers' migration, the government and the development department can fully consider the needs of the deceased relatives in the villagers. As a licensed cemetery, Wan Tong Yuan provides columbarium collective storage services in support of the government's demolition and transformation plan. It can also generate income for the Company. In addition to the sales of three columbarium niches halls in 2018, we will continue to actively cooperate with and support the government's city demolition and transformation plan, and provide columbarium settlement services for columbarium in the demolition and transformation plan areas in the future. With the development of the city, it can't be ruled out that there will be more demand for collective storage of columbarium, which will bring us better returns.

### ***Pursue strategic alliance and acquisition opportunities***

We have built our business so far primarily through organic growth. Going forward, we intend to selectively acquire, invest in or enter into strategic partnerships with other death care services providers, including funeral service providers and cemetery operators. We base our selection criteria on, among other things, brand name, location, land cost, land reserves and profitability. We generally favor cemeteries located in wealthy and densely populated provinces, where there is a higher demand for high-quality death care services. In particular, we seek to prioritize business expansion opportunities with death care services providers in the Jing-Jin-Ji megalopolis and bring synergy to our current operations. Meanwhile, we will also cooperate with potential acquisition or investment in other regions. We are committed to seeking development in both upstream and downstream industries of burial services, i.e. palliative care industry, to expand our business opportunities and to identify strategic alliance. Together we will achieve industrial integration from birth to death and from aging to burial for customers of all ages. Save for above disclosed, there were no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

## Financial Review

### Revenue

Our revenue for the year ended 31 December 2018 was substantially generated from: (i) sale of burial plots, which includes the right to use the burial plots and headstones and other ancillary products to be used on the burial plots; (ii) 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; and (iii) cemetery maintenance services. The table below sets forth a breakdown of our revenue:

	Year ended 31 December			
	2018	% of total	2017	% of total
	Revenue	revenue	Revenue	revenue
	(RMB'000)	%	(RMB'000)	%
Burial Services				
Sales of burial plots	37,387	86.2%	32,170	83.3%
Provision of other burial-related services	2,619	6.0%	3,396	8.8%
	<u>40,006</u>	<u>92.2%</u>	<u>35,566</u>	<u>92.1%</u>
Provision of cemetery maintenance services	3,379	7.8%	3,051	7.9%
	<u>43,385</u>	<u>100.0%</u>	<u>38,617</u>	<u>100.0%</u>

Benefiting from the regional economic growth, we have grown substantially since our inception in 2007. Further to a strong growth in the prior year, the Group's revenue was increased by 12.3% from RMB38.6 million for the year ended 31 December 2017 to RMB43.4 million for the year ended 31 December 2018, primarily driven by an increase in revenue from burial services. The Group's revenue from burial services increased by 12.5% from RMB35.6 million in 2017 to RMB40.0 million in 2018, primarily due to the sales of three columbarium niches halls with a total saleable area of 288 square metres (2017: nil). In addition, the increase in revenue was also due to the increase in the average selling price of burial plots.

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

Cost of sales and services consist primarily of the costs we incur in relation to the provision of our services. Our cost of sales and services was at RMB7.0 million in 2018 (2017: RMB7.0 million), with a slight decrease of 0.7%.

	Year ended 31 December			
	2018		2017	
	Cost of sales and services (RMB'000)	% of total cost of sales and services %	Cost of sales and services (RMB'000)	% of total cost of sales and services %
Burial services	6,585	94.7%	6,379	91.1%
Cemetery maintenance	369	5.3%	621	8.9%
	<u>6,954</u>	<u>100.0%</u>	<u>7,000</u>	<u>100.0%</u>

The Group's cost of sales and services for burial service increased by 3.2% from RMB6.4 million in 2017 to RMB6.6 million in 2018, primarily due to the business growth, partly offset by the enhancement of service process standardization. The Group's cost of sales and services for cemetery maintenance decreased from RMB0.6 million in 2017 to RMB0.4 million in 2018.

Our cost of sales and services for burial services include (i) the headstone cost, which represented the cost of the headstones used for burial plots; (ii) land acquisition cost, which represented the cost to acquire land for development into our cemetery; (iii) columbarium niches halls construction costs, which represented the cost of construction of columbarium niches halls; (iv) burial-related costs, which represented costs for designs, headstone engraving, props and offerings for interment rituals, labor and other expenses incidental to the provision of burial service; and (v) others, which represented land development and depreciation and amortization expenses relating to burial facilities. Our cemetery maintenance costs represented the costs for the ongoing landscaping and maintenance of our cemetery.

### ***Gross Profit and Gross Profit Margin***

Gross profit represents revenue less cost of sales and services. Our gross profit for 2018 and 2017 was RMB36.4 million and RMB31.6 million, respectively.

	Year ended 31 December			
	2018		2017	
	Gross profit	Gross profit	Gross profit	Gross profit
	(RMB'000)	margin	(RMB'000)	margin
		%		%
Burial services	33,421	83.5%	29,187	82.1%
Cemetery maintenance	3,010	89.1%	2,430	79.7%
	<u>36,431</u>	<u>84.0%</u>	<u>31,617</u>	<u>81.9%</u>

Our overall gross profit margin for 2018 and 2017 was 84.0% and 81.9%, respectively. Our relatively high gross profit margins during the year were primarily due to (i) the relatively high gross profit margins in the burial industry; (ii) our ability to provide high-quality burial services; and (iii) the relatively low land acquisition cost for our cemetery.

The gross profit margin of the burial services increased slightly, mainly due to the increase in average selling price and the effective cost management of the Group. The gross profit margin of the provision of cemetery maintenance services increased by approximately 10% year-on-year, mainly due to the Group's reduction of other greening sporadic expenses in 2018.

### ***Other income***

The Group's other income increased by 133.8% from RMB4.4 million in 2017 to RMB10.3 million in 2018. This increase was primarily due to an increase in dividends income from financial assets at FVTPL in 2018, and the government grants for listed enterprises of RMB3.0 million issued by Langfang Finance Bureau in 2018 (2017: nil), which have no unfulfilled conditions or contingencies relating to this income.

### ***Distribution and selling expenses***

Our distribution and selling expenses increased by 21.7% from RMB4.6 million for 2017 to RMB5.6 million for 2018. This increase was primarily due to an increase in salary and staff costs driven by the business growth.

### ***Administrative expenses***

Our administrative expenses increased by 76.3% from RMB3.2 million for 2017 to RMB5.7 million for 2018. This increase was primarily due to the increase in professional fees subsequent to the listing and an increase in salary and staff costs.

### ***Initial public offering expenses***

The Group incurred initial public offering expenses of RMB14.0 million in 2017. No such expenses was incurred in 2018.

### ***Profit before taxation***

As a result of the above, our profit before taxation increased by 154.0% from RMB13.9 million for 2017 to RMB35.3 million for 2018.

### ***Income tax expense***

Our income tax expense increased by 4.1% from RMB6.8 million for 2017 to RMB7.1 million for 2018, generally consistent with the increase of our revenue.

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

Our profit and total comprehensive income for the year increased by 296.6% from RMB7.1 million for 2017 to RMB28.2 million for 2018. Our net profit margin increased from 18.4% for 2017 to 65.1% for 2018, primarily due to the fees and expenses incurred from professional advisers in connection with the preparation of the listing in 2017.

### ***Earnings per share***

The basic earnings per share for the year ended 31 December 2018 calculated based on the weighted average number of 1,000,000,000 ordinary shares was RMB0.028 (basic earnings per share for the year ended 31 December 2017: RMB0.009).

### ***Cash Flow***

Our cash and cash equivalents increased by RMB109.7 million to RMB191.4 million as at 31 December 2018 from RMB81.7 million as at 31 December 2017, principally attributable to: (i) the net cash inflow of RMB24.9 million from our operating activities; (ii) the net cash inflow of RMB83.6 million from investing activities which was primarily due to proceeds from disposal of interest in the Suburban Rural Credit Cooperatives of Langfang City at a consideration of RMB76.0 million; partially offset by (iii) the net cash outflow of RMB0.8 million from financing activities.

### ***Pledge of assets***

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

### ***Inventories***

Our inventories primarily consist of burial plots, headstones and others. The related carrying amounts of the cemetery assets attributable to the burial plots are transferred to inventory upon the commencement of development of cemetery assets into burial

plots with the intention of sale in the ordinary course of business. Headstones are recognised as inventory when they are contracted for sale and set up in the cemetery. Inventories are transferred to cost when the customer obtains the right to use the burial plot. Our inventories decreased by 43.4% from RMB3.5 million as at 31 December 2017 to RMB2.0 million as at 31 December 2018, primarily due to the decrease in the number of headstones contracted and ready for sale but yet to be transferred to the customers.

### ***Prepayments and other receivables***

Our prepayments and other receivables remained relatively stable at RMB0.3 million and RMB0.5 million as at 31 December 2017 and 2018, respectively.

### ***Trade and other payables***

Our trade and other payables decreased by 55.3% from RMB21.2 million as at 31 December 2017 to RMB9.5 million as at 31 December 2018, primarily due to the decrease of advances from customers reclassified to contract liabilities as at 1 January 2018 from the application of IFRS 15. As at 31 December 2017, advances from customers amounted to RMB9.1 million.

### ***Contract liabilities***

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

As at 31 December 2018, current contract liabilities amounted to RMB9.1 million (as at 31 December 2017 after the adjustments from the application of IFRS 15: RMB12.4 million). The decrease in current contract liabilities is mainly due to recognition of revenue during the year.

As at 31 December 2018, non-current contract liabilities amounted to RMB52.7 million (as at 31 December 2017 after the adjustments from the application of IFRS 15: RMB48.5 million). The increase in non-current contract liabilities is mainly due to increase in advances from customers during the current year.

### ***Deferred income***

Deferred income as at 31 December 2017 represented the portion of the payment received in connection with the provision of cemetery maintenance that has not been recognised as revenue in accordance with the revenue recognition policy and the nature of the business, and was reclassified to contract liabilities as at 1 January 2018 from the application of IFRS 15.

### ***Capital structure***

During the year ended 31 December 2018, there was no change to the capital structure of the Company.

### ***Liquidity and financial resources***

As at 31 December 2018, we had bank balances and cash of approximately RMB191.4 million (2017: RMB81.7 million). We have financed our working capital, capital expenditures and other capital requirements primarily through income generated from our operations. In the future, we expect to fund our capital expenditures, working capital and other capital requirements from cash generated from our operations, net proceeds from listing on GEM and bank and other borrowings.

### ***Gearing ratio***

The Directors of the Company review the capital structure on annual basis. As part of this review, the Directors of the Company consider the cost of capital and the risk associated with each class of capital. Based on the recommendations of the Directors of the Company, the Group will balance its overall capital structure through payment of dividends, issue of new shares and repurchase of shares as well as issue of new debts or the redemption of existing debts.

As at 31 December 2018, the gearing ratio of the Group, being total liabilities to total assets, was 41.7% (2017: 49.8%), which indicates the Group's healthy liquidity position.

### ***Employee remuneration and relations***

As at 31 December 2018, the Group had a total of 62 employees (2017: 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.

### ***Commitments***

As at 31 December 2018, the Group had operating lease commitments receivable of approximately RMB0.4 million (2017: RMB0.6 million).

As at 31 December 2018, the Group had no capital commitments in respect of purchased equipment (2017: approximately RMB0.5 million).

### ***Contingent liabilities***

The Group had no material contingent liabilities as at 31 December 2018 (2017: nil).

### ***Significant Investments, Acquisitions and Disposals***

On 24 August 2018, Langfang Wantong Cemetery Co., Ltd. (廊坊市萬桐公墓有限公司) (the “Vendor”, an indirect wholly-owned subsidiary of the Company) and Langfang City Huanmei Landscaping Engineering Co., Ltd. (廊坊市環美園林工程有限公司) (the “Purchaser”) entered into a conditional sale and purchase agreement (the “SPA”), pursuant to which the Purchaser has conditionally agreed to acquire the sale shares, being 5.78% of the total registered capital of Suburban Rural Credit Cooperatives of Langfang City\* (廊坊市城郊農村信用合作聯社) (the “Target Company”), and the Vendor has agreed to sell the abovementioned sale shares (the “Disposal”) at the total consideration of RMB76,000,000.

Completion of the Disposal took place on the completion date in accordance with terms and conditions of the SPA. Immediately after the completion, the Group ceased to hold any interest in the Target Company.

Further details of the Disposal were set out in the announcement of the Company dated 24 August 2018 and the circular of the Company dated 24 September 2018.

Save as foresaid, there were no other material acquisition or disposal of significant investment during the year (2017: nil).

### ***Foreign currency risk***

The Group’s business is principally denominated in Renminbi. As certain bank deposits denominated in Hong Kong dollars, therefore, the Group is exposed to foreign currency exchange risk. No currency hedging arrangement had been made by the Group during the year. The Directors have positive attitude to regular monitor the exposure to foreign exchange so as to reduce the foreign exchange rate risk to minimal.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2018.

## **CORPORATE GOVERNANCE**

The Company is committed to establish and maintain good corporate governance practices and procedures. For the year ended 31 December 2018, the Board has adopted its own code on corporate governance practices which incorporate all the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The Directors of the Company will continue to review its corporate governance practices in order to enhance its corporate governance standard and ensure further standards be put in place by reference to the recommended best practices whenever suitable and appropriate. The Directors confirm that the Company have complied with the code provisions of the Corporate Governance Code and this code on corporate governance practices of the Company during the year ended 31 December 2018.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2018, including the accounting principles and practices adopted by the Group with the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made, and recommended to the Board for approval.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company for the year ended 31 December 2018 is scheduled to be held on Thursday, 27 June 2019 (the "AGM"). A notice convening the AGM will be issued and disseminated to shareholders of the Company in due course.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 June 2019 to Thursday, 27 June 2019 (both days inclusive) during which no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM of the Company, all completed transfer documents accompanying with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 21 June 2019.

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

Hong Kong, 15 March 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.*

\* *For identification purposes only.*