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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 on GEM: 8199)**

**(Stock Code on Main Board: 6966)**

**TRANSFER OF LISTING  
FROM GEM TO THE MAIN BOARD OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Sole Sponsor**



**財通國際融資有限公司**

CAITONG INTERNATIONAL CAPITAL COMPANY LIMITED

On 28 May 2019, a formal application was made by the Company to the Stock Exchange for the Transfer. The application was lapsed on 28 November 2019 and was re-submitted by the Company on the same date. The Company has applied for the listing of, and permission to deal in, all the Shares in issue by way of transfer of listing from GEM to the Main Board pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules.

The Board is pleased to announce that the approval-in-principle for the Transfer was granted by the Stock Exchange on 9 December 2019. The last day of dealings in the Shares on GEM (stock code: 8199) will be 16 December 2019. It is expected that dealings in the Shares on the Main Board (stock code: 6966) will commence at 9:00 a.m. on 17 December 2019.

All pre-conditions for the Transfer have been fulfilled as at the date of this announcement.

The Transfer will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer.

**The price and trading volume of the Shares has been volatile since the GEM Listing. After making reasonable enquiries and to the best of its knowledge, the Board is not aware of any reason for such volatility and the price and trading volume of the Shares may continue to be volatile. Attention of the Shareholders and potential investors of the Company is drawn to the potential risks and they are advised to exercise caution when dealing in the Shares.**

## **TRANSFER**

References are made to the announcements of the Company dated 28 May 2019 and 28 November 2019 in relation to the formal application submitted to the Stock Exchange for the Transfer pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules.

On 28 May 2019, a formal application was made by the Company to the Stock Exchange for the Transfer. The application was lapsed on 28 November 2019 and was re-submitted by the Company on the same date. The Company has applied for the listing of, and permission to deal in, all the Shares in issue by way of transfer of listing from GEM to the Main Board. Caitong International Capital Co., Limited has been appointed as the sole sponsor by the Company to advise on the Transfer.

The Board is pleased to announce that the Stock Exchange granted its approval-in-principle on 9 December 2019 for the Shares to be listed on the Main Board and delisted from GEM.

All pre-conditions for the Transfer have been fulfilled as at the date of this announcement.

## **REASONS FOR THE TRANSFER**

The Company has been listed on GEM since 27 September 2017. The Group is a burial services provider and operates its cemetery in Langfang, Hebei province, China under the brand “Wan Tong Yuan”, and principally engaged in the sale of burial plots and columbarium units, provision of other burial-related services and provision of cemetery maintenance services in Langfang.

The Directors consider that the Main Board is generally perceived by investors to enjoy a more advanced status, which could provide access to a larger investor base and raise the Company's corporate profile and awareness of the Company among public investors. The Directors also believe that the Transfer would help improve liquidity in the Shares and enhance the Group's financing options, while strengthening the Group's position in the industry and enhancing the Group's competitive strengths in retaining and attracting professional staff and broadening its customer base. Therefore, the Directors are of the view that the Transfer will be beneficial to the Group's future growth, financing flexibility, business development and long-term value to the Shareholders.

Since the GEM Listing, the principal business of the Group has not changed. As at the date of this announcement, there is no intention of the Board to change the nature of business of the Group following the Transfer. The Transfer will not involve any issue of new Shares.

### **DEALINGS IN THE SHARES ON THE MAIN BOARD**

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 27 September 2017, the date on which the Shares were first listed on GEM. Subject to continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code: 8199) will be 16 December 2019. It is expected that dealings in the Shares on the Main Board (stock code: 6966) will commence at 9:00 a.m. on 17 December 2019.

The Transfer will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in board lots of 10,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is TMF (Cayman) Ltd. and the Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer.

## SHARE PRICE VOLATILITY

The Shares have been listed on GEM since 27 September 2017, with the final offer price of HK\$0.28 per Share. The highest closing price and lowest closing price at which the Shares have been traded on GEM since 27 September 2017 and up to the Latest Practicable Date was HK\$0.405 per Share (4 October 2017) and HK\$0.190 per Share (27 June 2019), respectively. During the aforesaid period, the price per Share had risen for a maximum of approximately 44.6% (by comparing the final offer price of the GEM Listing and the highest closing price) and fallen for a maximum of approximately 53.1% (by comparing the highest closing price and the lowest closing price).

**The price and trading volume of the Shares has been volatile since the GEM Listing. After making reasonable enquiries and to the best of its knowledge, the Board is not aware of any reason for such volatility and the price and trading volume of the Shares may continue to be volatile. Attention of the Shareholders and potential investors of the Company is drawn to the potential risks and they are advised to exercise caution when dealing in the Shares.**

## GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 27 June 2019 to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held; and
- (c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate.

## SHAREHOLDING DISTRIBUTION AND PUBLIC FLOAT

References are made to the announcements of the Company dated 27 and 30 August 2019. Tai Shing International, one of the Controlling Shareholders, placed down an aggregate of 50,000,000 Shares (the “**Placing**”), which represented 5% of the entire issued share capital of the Company, to 50 places who are independent third parties through a placing agent. Completion of the Placing took place on 30 August 2019. Immediately before the completion of the Placing, the Controlling Shareholders and the public Shareholders held 750,000,000 Shares and 250,000,000 Shares, representing 75% and 25% of the entire issued share capital of the Company, respectively. Immediately after the completion of the Placing, the Controlling Shareholders and the public Shareholders held 700,000,000 Shares and 300,000,000 Shares, representing 70% and 30% of the entire issued share capital of the Company, respectively.

The Company has engaged an independent third party agent (the “Agent”) to make an enquiry into its shareholding. Based on (a) the information received from the Agent up to the date of this announcement; (b) the register of members of the Company; and (c) to the best knowledge of the Directors upon due inquiry, as at 3 September 2019 (being the latest practicable date for the Company to ascertain the following information prior to the Transfer), (i) the Controlling Shareholders together with their close associates (if any) held in aggregate 700,000,000 Shares, representing 70% of the entire issued share capital of the Company; (ii) public Shareholders held in aggregate 300,000,000 Shares, representing 30% of the entire issued share capital of the Company; and (iii) there were not less than 600 public Shareholders.

The below table sets out the number of identifiable public Shareholders and the Shareholders’ spread other than the Shares held by the Controlling Shareholders as at 3 September 2019:

	<b>Aggregate number of Shares held by the identifiable public Shareholders</b> <i>Notes 1 &amp; 2</i>	<b>Approximate % to the Shares held in public hands</b>	<b>Approximate % to the entire issued share capital of the Company</b>
Top 3 identifiable public Shareholders	118,440,000	39.5%	11.8%
Top 20 identifiable public Shareholders	172,510,000	57.5%	17.3%
Top 25 identifiable public Shareholders	179,510,000	59.8%	18.0%

*Notes:*

- Based on the information received from the Agent up to the date of this announcement and the register of members of the Company, as at 3 September 2019, there were not less than 600 identifiable public Shareholders holding an aggregate of 284,880,000 Shares, representing approximately 28.5% of the entire issued share capital of the Company identified by the shareholding analysis, while the Shareholders of the remaining 15,120,000 Shares in aggregate are unidentifiable, representing approximately 1.5% of the entire issued share capital of the Company.*
- For the purpose of calculating the number of Shareholders, a Shareholder who held Shares through multiple brokerage accounts via different brokerage firms has been counted as a single Shareholder.*

The Company confirmed that, save for an aggregate of 700,000,000 Shares held by the Controlling Shareholders (together with their close associates, if any), which represented 70% of the entire issued share capital of the Company, none of the core connected persons of the Company were interested in any other Shares as at 3 September 2019 and up to the date of this announcement.

In light of above, the Directors confirm that (i) not less than 25% of the entire issued share capital of the Company is held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement; (ii) the Company has at least 300 shareholders; and (iii) not more than 50% of the Shares held by the public are held by the three largest public Shareholders. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

## **PUBLICATION OF RESULTS**

The annual results of the Group for the year ended 31 December 2018 have been published. Please refer to the annual results announcement and annual report of the Company for the year ended 31 December 2018 published on 15 March 2019 and 22 March 2019, respectively, for details.

The first quarterly results of the Group for the three months ended 31 March 2019 have been published. Please refer to the first quarterly results announcement and first quarterly report of the Company for the three months ended 31 March 2019 published on 6 May 2019 and 10 May 2019, respectively, for details.

The interim results of the Group for the six months ended 30 June 2019 have been published. Please refer to the interim results announcement and interim report of the Company for the six months ended 30 June 2019 published on 8 August 2019 and 14 August 2019, respectively, for details.

The third quarterly results of the Group for the nine months ended 30 September 2019 have been published. Please refer to the third quarterly results announcement and third quarterly report of the Company for the nine months ended 30 September 2019 published on 11 November 2019 and 13 November 2019, respectively, for details.

Upon the Transfer, the Company will cease the practice of quarterly reporting of financial results and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The potential investors and Shareholders will continue to have access to relevant information on the Company in compliance with the reporting requirements under the Main Board Listing Rules.

## **COMPLIANCE ADVISER**

Innovax Capital Limited has been appointed as the compliance adviser of the Group subsequent to the GEM Listing pursuant to Rule 6A.19 of the GEM Listing Rules. The engagement of Innovax Capital Limited as the compliance adviser of the Group will end on the date on which the Company sends to the Shareholders a copy of the Directors' report and the consolidated financial statements in respect of the financial results for the year ending 31 December 2019 together with a copy of the auditor's report.

## SUMMARY OF THE GROUP'S BUSINESS

### Principal business

The Group is a burial services provider and operates its cemetery in Langfang, Hebei province, China under the brand “Wan Tong Yuan”, and principally engaged in the sale of burial plots and columbarium units, provision of other burial-related services and provision of cemetery maintenance services in Langfang.

Since its establishment in November 2007, Langfang Wantong has been operating with the Commercial Cemetery Operation License (公墓經營許可證) as a cemetery engaged in the sale of burial plots and columbarium units, among others. As advised by the PRC legal advisers of the Company, burial plots and columbarium niches are different burial services facilities featured in cemeteries and therefore both of the operations of the Group's burial services and columbarium collective storage services are subject to the regulations governing the cemeteries, such as the PRC Regulations on the Administration of the Death Care Services Industry (殯葬管理條例), Provisional Measures on Cemetery Administration (公墓管理暫行辦法) and Measures for Funeral Management in Hebei Province (河北省殯葬管理辦法). For details of the relevant material regulations, please refer to the section headed “Regulation” in the Prospectus.

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

	2016		Year ended 31 December 2017		2018		Six months ended 30 June 2019	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue <i>unaudited</i>	% of total revenue
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
<b>Burial services</b>								
Sale of burial plots and columbarium units	25,994	83.4%	32,170	83.3%	37,387	86.2%	15,550	82.7%
Provision of other burial-related services	2,537	8.1%	3,396	8.8%	2,619	6.0%	1,528	8.1%
<b>Subtotal</b>	<b>28,531</b>	<b>91.5%</b>	<b>35,566</b>	<b>92.1%</b>	<b>40,006</b>	<b>92.2%</b>	<b>17,078</b>	<b>90.8%</b>
<b>Cemetery maintenance services</b>	<b>2,648</b>	<b>8.5%</b>	<b>3,051</b>	<b>7.9%</b>	<b>3,379</b>	<b>7.8%</b>	<b>1,725</b>	<b>9.2%</b>
<b>Total</b>	<b>31,179</b>	<b>100.0%</b>	<b>38,617</b>	<b>100.0%</b>	<b>43,385</b>	<b>100.0%</b>	<b>18,803</b>	<b>100.0%</b>

The following table sets forth a breakdown of the Group's revenue generated from the sale of burial plots and columbarium units during the Track Record Period:

	2016		Year ended 31 December 2017		2018		Six months ended 30 June 2019	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue <i>unaudited</i>	% of total revenue
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
<b>Burial plots</b>								
Traditional	24,187	93.0%	29,554	91.9%	30,296	81.0%	14,008	90.1%
Artistic (including burial plots of unique and bespoke designs)	1,807	7.0%	2,616	8.1%	2,946	7.9%	1,542	9.9%
<b>Columbarium units</b>	—	—	—	—	4,145	11.1%	—	—
<b>Total</b>	<b>25,994</b>	<b>100.0%</b>	<b>32,170</b>	<b>100.0%</b>	<b>37,387</b>	<b>100.0%</b>	<b>15,550</b>	<b>100.0%</b>

## Business model

The Group provides a range of burial services, including traditional burial services, artistic burial services and columbarium collective storage services.

### *Traditional burial services and artistic burial services*

The Group's traditional burial services involve the use of burial plots with uniform or limited designs and landscaping and standardized pre-fabricated headstones within the same sectioned burial areas.

The Group's artistic burial services involve the use of uniquely designed headstones and also allow for varying degrees of customization in terms of material and design of headstone, layout of burial plot, and decorative items, among others.

As at the Latest Practicable Date, the Group has 19 sectioned burial areas designated for traditional burial plots and two sectioned burial areas designated for artistic burial plots.

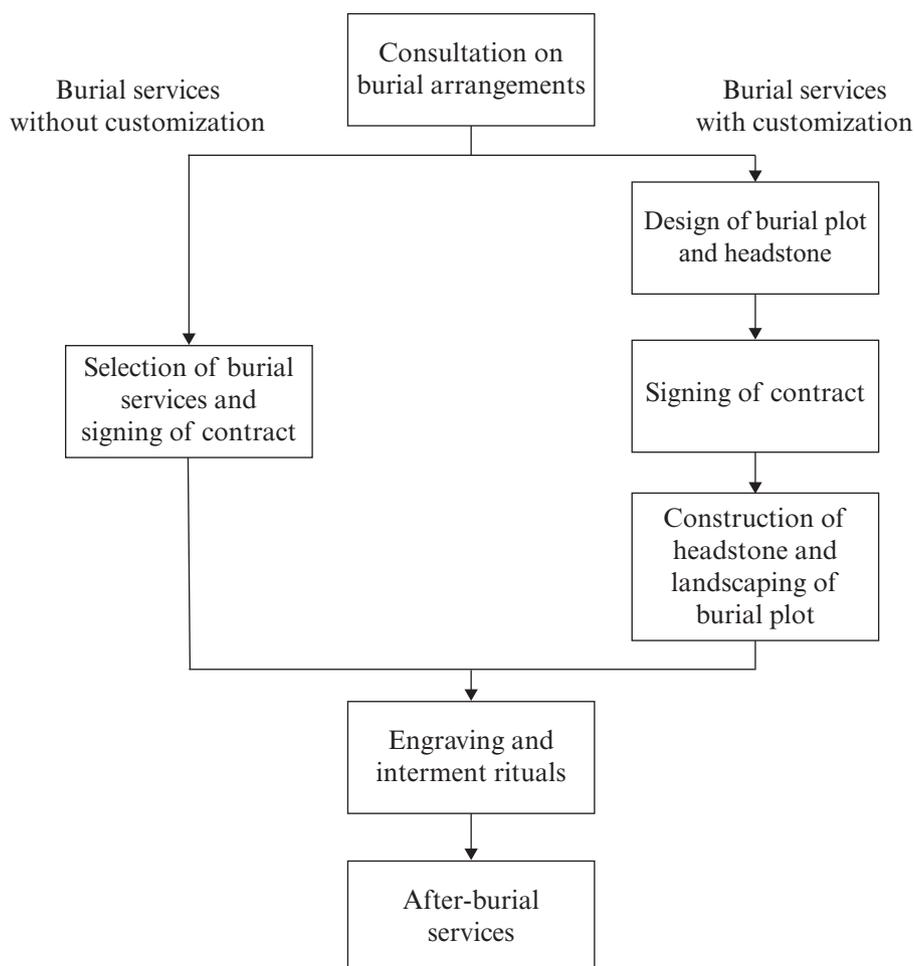
As part of its services, the sale of burial plots only involves the transfer of the right to use the burial plots for 20 years, while it does not involve the sale of the relevant land use right of the cemetery. The Group engages suppliers to design, construct and landscape the burial plots and engrave inscriptions and ceramic photographs on the headstones to meet specific customer requirements.

The Group's individual customers have the right to use the burial plots for 20 years upon the payment of the sales price and maintenance fee. Through transfer of the right to use the burial plots in the cemetery, the Group provides custody service by safekeeping the occupied burial plots for 20 years, and the customers obtain the contractual right to use the burial plots for the same period of time. However, the term of the custody service over the occupied burial plots is separate from the term of the land use right for the cemetery, and the sales contracts do not give the customers any property rights in the cemetery.

The Group also provides a range of interment rituals and allows its customers to personalize the rituals by selecting value-added services, such as cremains transportation (抬靈) and gun salutes (禮炮).

The Group also provides ongoing cemetery maintenance services as an integral part of its burial services to maintain its beautifully landscaped cemetery. The Group regularly tidies and patrols cemetery grounds to ensure they are clean and safe for visitors. The Group also regularly maintains its facilities to ensure they are fully functional.

The following diagram illustrates the major steps involved in the burial services of the Group provided to the individuals for the sale of the burial plots:



*Consultation on burial arrangements.* The Group introduces its service offerings to prospective customers based on the consultation with them about their requirements and recommends specific service types and tailor-making suggestions. The Group provides guided site visits to familiarize prospective customers with the layout of its cemetery and the selection of burial plots available.

*Selection of burial services and signing of contract (burial services without customization).* Customers generally select a particular burial service by signing a sales contract and making full payment of the service fees at the same time. If a prospective customer is unable to make the full payment on the spot, the Group allows them to pay a small deposit to reserve a particular burial plot for up to three days before making payment of the balance and signing the sales contract.

*Design of burial plot and headstone (burial services with customization).* The Group assists customers for customized burial services in designing the headstones and the landscape of the burial plots before signing a sales contract. Customers for traditional burial services select standardized headstones and burial plot designs off the shelf.

*Construction of headstone and landscaping of burial plot (burial services with customization).* The Group commences construction upon receipt of customer confirmation. The Group engages suppliers to customize the headstones and the landscape of the burial plots in accordance with the styles and designs chosen by its customers. Customers will then inspect the finished burial plot with the installed headstone before confirming receipt of the burial plot. Depending on the style and degree of customization of the headstone and the burial plot, it may take up to 45 days to fully complete the construction.

*Engraving and interment rituals.* Customers will select and inform the Group of the specifics of engravings, the burial dates and rituals, and separately pay for the chosen engravings and rituals. The Group engages its supplier to engrave the inscriptions and ceramic photographs on the headstones. The Group then orchestrates and performs the interment rituals and may assist customers with logistic matters. The Group typically arranges interment rituals within the period as required upon customer confirmation.

*After-burial services.* The Group periodically examines the headstones and repairs the headstones when required. The Group also offers certain other after-burial services, such as organizing tomb-sweeping activities and providing flowers and offerings.

### ***Columbarium collective storage services***

The Group's columbarium collective storage services involve the storage of cremains in units comprising cremation niches within the Group's columbaria. Such cremains were forced to be removed from their original burial grounds in certain rural areas of Langfang outside the Group's cemetery mainly induced by the local government's city development plan. The relevant rural areas subsequently resumed by the local government are for the purpose of such plan to accelerate urbanization. Wan Tong Yuan, as a licensed and well-established cemetery with both capability and capacity to provide columbarium collective storage services, is regarded as a suitable place for the relocation of such cremains as affected by such resumption of land ordered by the local government. Aligning with the local government's city development plan, the Group expects to further tap into the urbanization opportunities in provision of columbarium collective storage services, while the sale of columbarium units is mainly driven by government policies and schedules involving the migration of the villagers and resettlement of the cremains of their deceased relatives.

For the sale of columbarium units, the customers have the right to use the columbarium units for a term up to the expiry of the land use right of the cemetery (being 1 November 2049) upon the payment of the sales price, while the Group may provide custody service to these customers subject to the relevant contractual arrangements. However, the sales contracts do not give the customers any property rights in the relevant columbarium units.

The local village councils and property developers, being the customers, normally enter into sales contracts with the Group and make payments after reaching consensus on the relevant terms and conditions during their consultations and negotiations with the Group. Provision of other burial-related services is normally not ancillary to the sale of columbarium units.

### **The Cemetery of the Group**

The following tables set forth certain details regarding the Group's cemetery as at 30 June 2019:

#### **For burial plots**

Developed area	66,151 sq.m.
Burial plots transferred	40,033 sq.m.
Burial plots constructed and ready for sale	2,237 sq.m.
Land available for construction of new burial plots	23,881 sq.m.
Undeveloped area	99,283 sq.m.
<b>Total site area</b>	<b>165,434 sq.m.</b>

As at 30 June 2019, the Group had developed areas in its cemetery of approximately 23,881 sq.m., which are available for construction of at least approximately 7,237 new burial plots, and an undeveloped area in its cemetery of approximately 99,283 sq.m., which is estimated to be able to host an additional approximately 30,086 burial plots at least. Based on the annual sales of burial plots during the Track Record Period and the expected annual sales of burial plots, it is estimated that the Group's cemetery is able to sustain stable operations of approximately 50 years in the future, subject to the renewal of the land use right.

#### **For columbaria**

GFA of the five existing columbaria	3,819 sq.m.
Sold area <sup>Note 1</sup>	3,280 sq.m.
Available area <sup>Note 2</sup>	92 sq.m.
Storage and other facilities	447 sq.m.
GFA of the three new columbaria	6,754 sq.m.
Available area <sup>Note 2</sup>	5,646 sq.m.
Storage and other facilities	1,108 sq.m.
<b>Total GFA</b>	<b>10,573 sq.m.</b>

Notes:

1. The sold area represents the total GFA of the columbarium units for which the rights to use them have already been transferred.
2. The available area represents the total GFA of the columbarium units for which the rights to use them have not yet been transferred.

As at 30 June 2019, the Group had an aggregate GFA of approximately 10,573 sq.m. for its columbaria, including (i) approximately 3,819 sq.m. for the five existing columbaria, among which 92 sq.m. are available for sale; and (ii) approximately 6,754 sq.m. for the three new columbaria, the construction of which was completed in September 2019. In September 2019, columbarium units with an aggregate GFA of approximately 1,481 sq.m. in the three new columbaria have been sold.

## CUSTOMERS, SUPPLIERS AND SERVICES PROVIDERS

### Customers

The customers of the Group include primarily individuals from Langfang who purchase burial plots for family members who have passed away, and property developers and local village councils to whom the Group has provided columbarium collective storage services to support the local government's city development plan. As the integration of the Jing-Jin-Ji megalopolis deepens, the Group increasingly serves customers from the neighboring cities. During the Track Record Period, it served over 200 customers from outside Langfang, accounting for approximately 7.8% of its total number of customers.

The following table sets forth the revenue of the Group from its sale of burial plots and columbarium units during the Track Record Period by geography:

Location	2016		Year ended 31 December 2017		2018		Six months ended 30 June 2019	
	RMB'000	%	RMB'000	%	RMB'000	%	unaudited RMB'000	%
Hebei province								
• Langfang	24,558	94.5%	30,211	94.0%	34,309	91.8%	14,139	90.9%
— Individual	24,558	94.5%	30,211	94.0%	30,164	80.7%	14,139	90.9%
— Local village council and property developer	—	—	—	—	4,145	11.1%	—	—
• Renqiu	215	0.8%	108	0.3%	145	0.4%	—	—
<i>Subtotal</i>	<u>24,773</u>	<u>95.3%</u>	<u>30,319</u>	<u>94.3%</u>	<u>34,454</u>	<u>92.2%</u>	<u>14,139</u>	<u>90.9%</u>
Beijing	1,221	4.7%	1,639	5.1%	2,639	7.0%	1,080	7.0%
Tianjin	—	—	142	0.4%	248	0.7%	286	1.8%
Other <sup>Note</sup>	—	—	70	0.2%	46	0.1%	45	0.3%
<b>Total</b>	<u>25,994</u>	<u>100.0%</u>	<u>32,170</u>	<u>100.0%</u>	<u>37,387</u>	<u>100.0%</u>	<u>15,550</u>	<u>100.0%</u>

Note: These locations include Zhengzhou, Xi'an, Baoding and Dezhou, the PRC.

During the Track Record Period, the single largest customer of the Group accounted for approximately 0.5%, 1.3%, 6.5% and 1.0% of its total revenue, respectively. For the same periods, the Group's five largest customers accounted for approximately 2.5%, 3.8%, 12.1% and 4.3% of its total revenue, respectively. The significant increase in revenue contribution from the Group's five largest customers for the year ended 31 December 2018 was primarily due to the revenue of approximately RMB4.1 million generated from several columbarium units purchased by its two largest customers for the year, one of which is a local village council in Langfang and the other is a property developer based in Hebei province, while there was no such sales in the years ended 31 December 2016 and 2017 (details of discussion are set out in the section headed "Management Discussion and Analysis" in this announcement).

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5.0% of the Shares) has any interest in any of the five largest customers during the Track Record Period.

### **Suppliers and services providers**

The Group procures headstones, ceramic photographs, road construction within its cemetery and interior decoration from suppliers and third-party services providers in China.

To manage its suppliers and services providers, the Group has adopted policies and internal control measures to select suppliers and services providers that provide products and services with high quality at a reasonable cost. The Group evaluates existing suppliers and services providers on the basis of a number of factors including, without limitation, service quality, price, promptness of delivery, and credit term. The Group believes that all the products and services it sources are readily available in the industry and its suppliers and services providers can easily be replaced. Therefore, the Group generally does not enter into any contracts with a term longer than one year with any major suppliers. During the Track Record Period, the Group did not experience any material shortage or delay in the supply of services or products.

Purchases from the single largest supplier of the Group, accounted for approximately 89.0%, 56.3%, 59.1% and 71.9% of its total purchases, respectively, for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019. The Group believes that it is able to source products and services from alternative suppliers at comparable terms, prices and quality within a reasonably short period of time. For example, the Group is able to source headstones in the market, which are offered by different suppliers. Although the Group believes that its current single largest supplier of headstones has been offering the best combination of price and quality during the Track Record Period, it believes other suppliers that it has evaluated can also provide it with products or services on comparable terms, price and quality.

For the years ended 31 December 2016 and 2017, the Group's five largest suppliers accounted for approximately 99.8% and 90.5% of the Group's total purchases, respectively. Set out below are the details of the five largest suppliers of the Group and their background information for the year ended 31 December 2018 and the six months ended 30 June 2019:

<b>Year ended 31 December 2018</b>				
<b>Name of supplier</b>	<b>Principal supplies purchased</b>	<b>Approximate length of relationship</b>	<b>Purchase amount</b> <i>RMB'000</i>	<b>% of total purchases amount</b>
Supplier A	Headstones	11 years	3,888	59.1%
Supplier B	Incinerators	1 year	550	8.4%
Supplier C	Ceramic photographs	11 years	314	4.8%
Supplier D	Security service	4 years	295	4.5%
Supplier E	Fence construction	1 year	222	3.4%

<b>Six months ended 30 June 2019</b>				
<b>Name of supplier</b>	<b>Principal supplies purchased</b>	<b>Approximate length of relationship</b>	<b>Purchase amount</b> <i>RMB'000</i>	<b>% of total purchases amount</b>
Supplier F	Construction of columbaria	4 months	10,673	71.9%
Supplier A	Headstones	12 years	2,216	14.9%
Supplier G	Construction of roads	10 months	438	3.0%
Supplier H	Elevators	4 months	327	2.2%
Supplier I	Inspection service for columbaria	2 months	237	1.6%

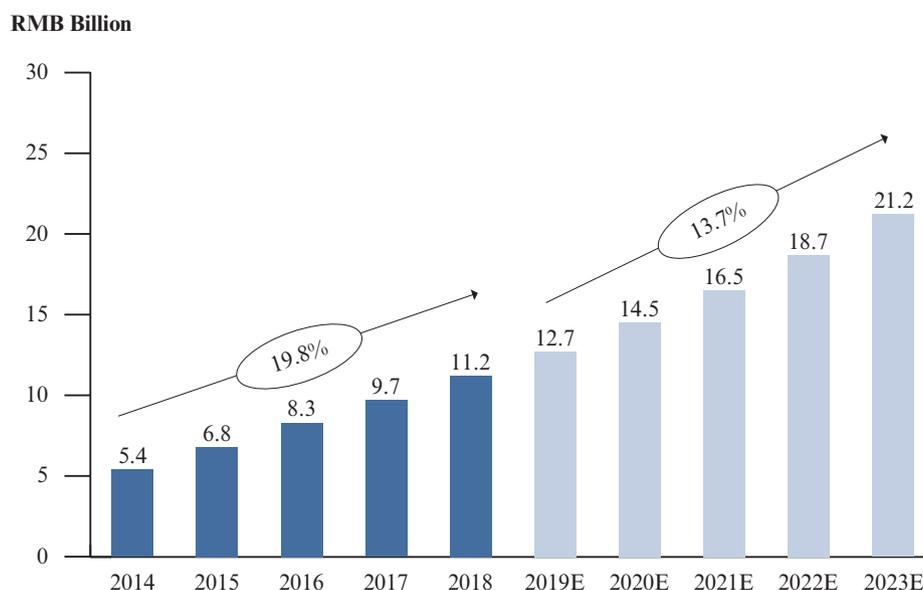
None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5.0% of the Shares) has any interest in any of the five largest suppliers during the Track Record Period. The Group did not have any disputes with any of its suppliers or services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

## **INDUSTRY OVERVIEW**

The Group commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on death care services market in the Jing-Jin-Ji megalopolis, Hebei province and Langfang for use in this announcement. The information from Frost & Sullivan disclosed below in this announcement is disclosed with the consent of Frost & Sullivan.

## Overview of the Death Care Services Market in the Jing-Jin-Ji Megalopolis

### Size of Death Care Services Market in the Jing-Jin-Ji Megalopolis from 2014 to 2023E



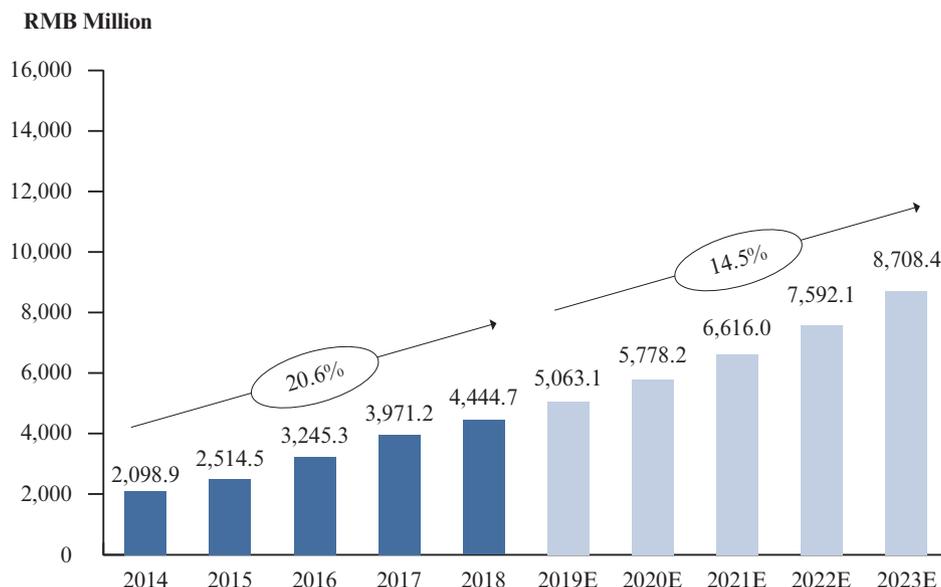
Source: F&S Report

The Jing-Jin-Ji megalopolis is one of the largest regional death care services markets in China. With the increase in per capita spending on death care services, the size of death care services market in the Jing-Jin-Ji megalopolis experienced significant growth, increasing from approximately RMB5.4 billion in 2014 to approximately RMB11.2 billion in 2018 in terms of revenue, representing a CAGR of 19.8% between 2014 and 2018. The size of the death care services market in the Jing-Jin-Ji megalopolis is expected to continue to grow further and reach approximately RMB21.2 billion in terms of revenue by 2023, representing a CAGR of 13.7% between 2019 and 2023.

The number of death care services providers in the Jing-Jin-Ji megalopolis remained stable between 2014 and 2018, reaching 266 in 2018. Besides, the number of employees engaged in the death care services in the Jing-Jin-Ji megalopolis experienced stable growth in the same period, increasing from 5,963 in 2014 to 6,287 in 2018. Driven by the increasing demand of death care services, the number of death care services providers and employees in the Jing-Jin-Ji megalopolis is expected to further increase to 278 and 6,684 by 2023, respectively. In addition, prices of death care products and services in the Jing-Jin-Ji megalopolis are relatively transparent and of a diverse range. The death care services market in the Jing-Jin-Ji megalopolis is highly competitive and fragmented with high barriers of entry. With a robust regional economy, increasing income levels of households, continued aging of population and scarcity of cemetery land in the region, it is expected that the death care services market in the Jing-Jin-Ji megalopolis has strong growth potential.

## Overview of the Death Care Services Market in Hebei Province and Langfang

### Size of Death Care Services Market in Hebei Province from 2014 to 2023E

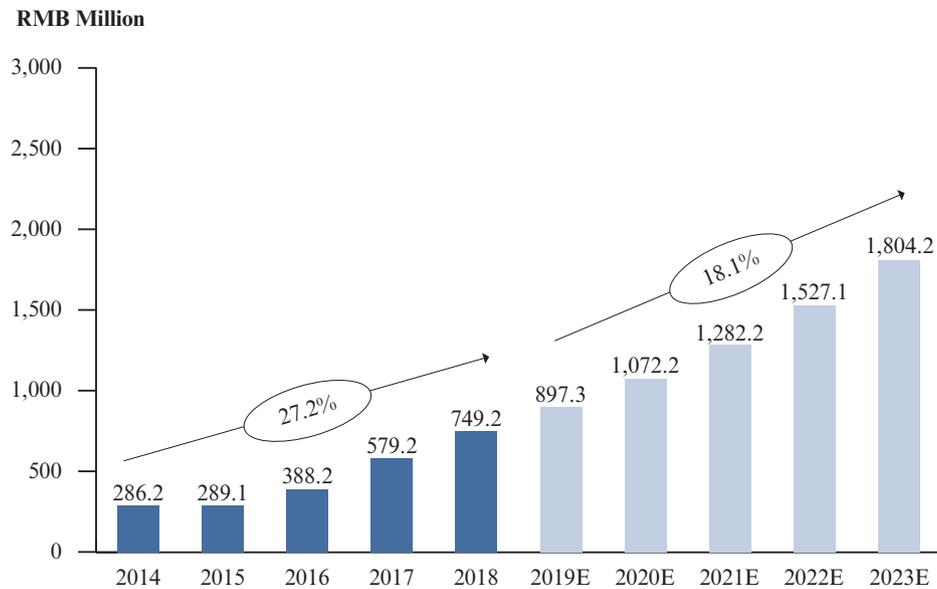


Source: F&S Report

The death care services market in Hebei province has attracted an increasing number of private businesses to the burial services segment due to its significant growth potential. With the increase of per capita spending on death care services, the size of death care services market in Hebei province increased from approximately RMB2,098.9 million in 2014 to approximately RMB4,444.7 million in 2018 in terms of revenue, representing a CAGR of 20.6% between 2014 and 2018. The size of the death care services market in Hebei province is expected to continue to grow and reach approximately RMB8,708.4 million in terms of revenue by 2023, representing a CAGR of 14.5% between 2019 and 2023.

The number of death care services providers in Hebei province remained relatively stable between 2014 and 2018, increasing slightly from 183 to 185. Besides, the number of employees engaged in the death care services in Hebei province maintained stably between 2014 and 2018, and reached approximately 3,513 in 2018. Driven by the increasing demand of death care services, the number of death care services providers and employees in Hebei province is expected to further increase to 194 and 3,744 by 2023, respectively.

### Size of Death Care Services Market in Langfang from 2014 to 2023E



Source: F&S Report

Death care services in Langfang have competitive advantages in terms of price compared to larger cities nearby, which is likely to boost a growing demand for death care services from local residents and customers from Beijing and Tianjin. The size of the death care services market in Langfang achieved a fast growth from approximately RMB286.2 million in 2014 to approximately RMB749.2 million in 2018 in terms of revenue, at a CAGR of 27.2%. Motivated by the increasing per capita spending and cremation rate, the size of death care services market in Langfang is expected to achieve faster growth and reach approximately RMB1,804.2 million in terms of revenue in 2023, at a CAGR of 18.1% between 2019 and 2023.

The number of death care services providers in Langfang remained stable between 2014 and 2018, leveled at 18 with 344 employees engaged in the industry in 2018. In response to the increasing consumption demand, the number of death care services providers in Langfang is expected to reach 20 with the corresponding number of employees engaged in the industry reaching 396 by 2023.

In view of the city development plans of Langfang, under which the urbanization rate is expected to reach 62% and 77% by 2020 and 2030, respectively, it is expected that there would be an increasing number of cremains removal, which would further promote the demands for legal burial plots and columbaria. The death care services market in Langfang is expected to maintain a strong growth from 2019 to 2023 with an expanding customer base covering the Jing-Jin-Ji megalopolis, and the market size and the revenue of cemetery operators in Langfang are expected to maintain a fast-paced growth.

## **BUSINESS OUTLOOK AND RECENT DEVELOPMENT**

Burial services are the largest component of the Group's revenue. The burial services market in Langfang is concentrated. The demand for the Group's burial services and growth in the Group's revenue are driven by the overall demand for burial services in Langfang and the Jing-Jin-Ji megalopolis at large. Subsequent to 30 June 2019, based on the unaudited consolidated financial information for the three months ended 30 September 2019, the revenue of the Group for the three months ended 30 September 2019 increased significantly to approximately RMB33.1 million as compared to the revenue of approximately RMB7.7 million for the corresponding period in 2018, primarily due to the sale of certain columbarium units in September 2019 pursuant to the contract entered into in February 2019 as discussed in the paragraph headed "Strengthen the market position in Langfang" below.

The Group aspires to strengthen its market position in Langfang and expand its business in the Jing-Jin-Ji megalopolis and beyond through the following strategies.

### **Strengthen the market position in Langfang**

The Company believes that a more elegant environment of the cemetery with warmer, more diversified and person-centered services would enable the Company to address the customers' various needs and preferences. Thus, the Group has continuously upgraded and planned to further develop its cemetery, especially the environment in cemetery, upgrade its facilities and diversify its service offerings. For example, the Group upgraded the main entrance of the cemetery, commenced to develop "Pine Garden" (松園) and further developed its sectioned burial areas for artistic burial plots. In the remaining of 2019 and year 2020, in addition to the further development of its cemetery as mentioned above, the Group plans to design and provide other types of burial services, for example, wall burial (壁葬), sea burial (海葬) and tree burial (樹葬). Moreover, the Group intends to promote its reputation and services through contact and communications with more prospective customers, communities and institutions of elderly services, for example, to invite more prospective customers to the Group's events and to organize recreation and sports events for the elderly.

In addition, in view of the rapid development of Langfang, which is benefited from the overall development of the Jing-Jin-Ji megalopolis, the local government has been carrying out the urban planning and construction. During this process, it may involve the migration of the villagers and resettlement of the remains of their deceased relatives. As a licensed and well established cemetery, in possession of both capability and capacity, the Group provides columbarium collective storage services to meet the demand arising from the local government's city development plan on one hand, and broaden its income source on the other. Further to the sale of columbarium units in 2018, the Group plans to actively cooperate with and support the local government's city development plan, and provide columbarium collective storage services for the removed remains in the areas under the development plan in the future. In light of further demand of such columbarium collective storage services induced by the government's city planning, the Group has invested approximately RMB23.3 million and completed the construction of another three buildings in its cemetery as columbaria, with the real estate certificate (不動產權證) obtained in September 2019. During the three months ended 30 September 2019, the Group recognized a revenue in the amount of approximately RMB24.9 million from the sale of certain columbarium units pursuant to a contract entered into with a customer.

The Directors believe that the above will further strengthen the Group's market position in Langfang.

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

The Group generated substantially all of its revenue from burial services during the Track Record Period and has also forged stable business relationship with a number of local funeral services providers which refer customers to the Group. The Directors believe, however, that one-stop-shop services integrating funeral and burial services are able to confer a significant competitive advantage, as bereaved families generally prefer dealing with fewer services providers to ensure a seamless and smooth experience at each stage of the process. The Group has set up service sites at Langfang Funeral Parlor (廊坊市殯儀館), and assigned specialists to introduce cemetery-related services, deal with pre-service business and promote to and identify prospective customers. The Group has currently located a parcel of land in Langfang and has been negotiating with the counterparty about the leasing arrangements to construct and operate its first funeral services center, and plans to further conduct marketing activities for its funeral services through public media.

The Group plans to offer the following customized funeral services after its new funeral services center's commencement of operation: (i) providing its customers with consultations on funeral arrangements and suggesting certain funeral services packages for them; (ii) liaising with the families of the deceased, the funeral parlor and crematorium for transportation arrangements of the deceased; making up and dressing up the deceased in accordance with the wishes of the customers; (iii) providing wreaths

and flower arrangements, and specially-prepared decorations for display at the funeral; and (iv) arranging for and conducting the performance of funeral rituals or ceremonies as required by the customers.

The Group will continue to expand its services from provision of burial services only to provision of integrated funeral and burial services.

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

Leveraging on the Group's strategic location in Langfang and proximity to regional hubs in the Jing-Jin-Ji megalopolis, the Group continues to pay effort to tap further into the burial services market in this region, especially in Beijing, where affordable burial plots 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. The Group plans to devote more marketing resources to serving the neighboring cities and further develop cooperation with local funeral services providers as its business partners. The Group targets to establish cooperative relationships with more Beijing-based funeral services providers in the remaining of 2019 and year 2020 to promote its burial services locally. Meanwhile, the Group plans to cooperate with local funeral homes and hospital mortuaries to access bereaved families in a more direct and more prompt way, so that the Group can react immediately to provide high-quality one-stop-shop services integrating funeral and burial services for its prospective customers.

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

The Group is developing its business primarily through organic growth. Going forward, the Group intends to selectively acquire, invest in or enter into strategic partnerships with other death care services providers, including funeral services providers and cemetery operators. The Group bases its selection criteria on, among other things, brand name, location, land cost, land reserves and profitability. The Group generally favors cemeteries located in wealthy and densely populated provinces, where there is a higher demand for high-quality death care services. In particular, the Group seeks to prioritize business expansion opportunities with death care services providers in the Jing-Jin-Ji megalopolis and bring synergy to its current operations. Meanwhile, it will also explore potential acquisition or investment in other regions. In addition to the downstream industry of burial services, the Group is also committed to seeking development in the upstream industry, for example, palliative care services, to expand its business opportunities and to identify strategic alliance. Therefore, the Directors believe that the Group will achieve industrial integration from aging to burial for a diverse range of customers.

## **MATERIAL RISKS ASSOCIATED WITH THE GROUP'S BUSINESS**

**The Group operates one cemetery in Langfang and any significant downturn of the regional economy or changes in local regulatory regime or burial practices could materially and adversely affect its business, financial condition and results of operations.**

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

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

**The Group may fail to identify, foresee or adapt its burial services offerings to evolving local, cultural or customary demands in a timely manner.**

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

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

**The Group's business operations are subject to strict and evolving regulatory controls.**

The PRC burial services industry is highly regulated and may become more so in the future. Various aspects of the burial services business in China, such as the maximum size of burial plots and certain matters relating to the presale of burial plots to living customers, are currently subject to government regulations. The laws and regulations on the burial services industry are evolving. For example, the Draft Revision of the Regulations on Funeral and Interment Control (Draft for Comments) (殯葬管理條例(修訂草案徵求意見稿)) issued by the Ministry of Civil Affairs of the PRC in September 2018 imposes restrictions on, among others, the maximum size of a single burial plot, the height of the headstone and the price of burial plots and columbarium units. Furthermore, there are currently no specific provisions on the legal nature of transferring the right to use the burial plots or columbarium units, and it remains unclear whether a transfer of the right to use the burial plots or columbarium units will be deemed as a transfer of a land use right or a lease. If a transfer of right to use the burial plots or columbarium units is deemed as a transfer of land use rights or leases, there may be disputes between the Group and its customers with respect to the terms of the Group's services, which may have a material adverse impact on the Group's business, financial condition and results of operations. As such, the Group must ensure continuous compliance with numerous applicable laws and regulations in China to avoid fines and other sanctions. In addition, the Group must obtain the requisite license for cemetery operation. Any change to or tightening of the relevant laws and regulations or any inability by the Group to renew the requisite license or obtain additional new licenses or permits in the future may materially and adversely affect its business, financial condition, results of operations and prospects. According to the PRC legal advisers of the Company, except to the surviving spouse, the elderly or critically ill patients for personal use, the relevant PRC laws do not permit the sale of burial plots or columbarium units before the death of the relevant individuals. The Group has engaged in the presale of plots to the surviving spouse, the elderly or critically ill patients in compliance with the relevant legal and regulatory requirements. A substantial majority of its burial plots were sold to the representatives after the death of the relevant individuals.

If the Group breaches any laws and regulations, its business may be subject to regulatory actions by the relevant PRC government authorities depending on the nature, extent and severity of the breach. For example, if the Group fails to comply with the relevant standards with respect to burial services in China, the relevant government authorities may order it to cease the sale or provision of burial products or services. Further, the relevant government authorities have the power to order the Group to pay a penalty in the amount of one to three times the unlawful gain from selling substandard burial products and services. Further, in the case of serious breaches, the Group's license for cemetery operation may be revoked and its business may be materially and adversely affected.

**The Group faces certain risks relating to the property it owns.**

The Group has a title defect with respect to its office building with an aggregate GFA of approximately 1,723 sq.m. The Group did not timely complete the relevant environmental protection, planning and construction approval procedures required under the PRC laws and regulations. As a result of such defect, the Group may be required by the competent government authorities to rectify such defect within a stated period or impose a fine of up to approximately RMB310,000. The Group may also encounter difficulties in continuing to own and use such property and may be required to relocate if the government authorities seek to demolish such building, and the Group may incur additional costs relating to such relocation and encounter business disruption. Furthermore, the Group may not be able to find suitable alternative premises and its business may be adversely affected if it relocates to less desirable locations.

**There are uncertainties in relation to the renewal of the land use right of the cemetery properties of the Group, and its sale and its customers' use of relevant burial plots or columbarium units could be adversely affected.**

The Group operates one cemetery based on the right to use two parcels of land for cemetery purpose in Langfang, Hebei province, China. The Group has obtained the land use right certificates for these parcels of land. The Group cannot assure that it will be able to renew such land use right certificates upon expiry on 1 November 2049. If it is unable to obtain such renewals, its business, financial condition and results of operations could be materially and adversely affected.

In the event that the local government does not extend the land use rights of the Group, subject to the local government's development plan and the applicable PRC laws and regulations, it is uncertain whether the Group can sell burial plots or columbarium units with service period beyond the expiry of such land use rights; in addition, it is also uncertain whether its customers will continue to be able to use relevant burial plots or columbarium units at the relevant time. If the Group enters into contracts with its customers with a term beyond that of the land use rights, the Group may breach its obligations under the sales contract and the Group may need to compensate the affected customers based on the actual losses incurred for not being able to use such burial plots or columbarium units for the remaining term of the sales contracts, including the actual losses incurred by such customers in connection with the relocation of the relevant cremains. If such event happens, the Group may incur substantial expenses to compensate relevant customers, and the Group may also encounter customer disputes for the relocation of the relevant cremains, which may adversely affect its reputation.

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

The Directors believe that, the burial services industry in Langfang is concentrated and is composed of a small number of large burial services providers. The Group faces competition from state-owned and privately-owned services providers. To compete successfully, the Group must provide and maintain high-quality burial services and the Group may be compelled in the future to engage in price competition, which may affect its profit margins. If the Group is unable to compete cost-effectively, its business, financial condition and results of operations could be materially and adversely affected.

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

In 2016, 2017, 2018 and the six months ended 30 June 2019, the Group procured headstones from one major supplier and purchases from such supplier accounted for approximately 89.0%, 56.3%, 59.1% and 14.9% of the Group's total purchases, respectively. See paragraph headed "Customers, Suppliers and Services Providers — Suppliers and services providers" in this announcement for details. Should this major supplier cease its business relationships with the Group and the Group fail to locate suitable replacements on a timely basis and at acceptable cost, the Group's business, financial condition and results of operations may be materially and adversely affected.

**The Group's financial performance may be affected by dividend income from financial assets at FVTPL.**

During the Track Record Period, the Group held investments in certain local banks in Langfang and received dividend income of approximately RMB2.6 million, RMB3.6 million, RMB6.1 million and RMB0.8 million for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. Details of such investments and dividend income are set out in the paragraphs headed "Management discussion and analysis — Available-for-sale investments and financial assets at FVTPL" and "Management discussion and analysis — Other income", respectively in this announcement. The dividend income from financial assets at FVTPL for the six months ended 30 June 2019 decreased significantly subsequent to the disposal of certain financial assets at FVTPL in August 2018. Since the Group only holds minority interests in its financial assets at FVTPL, the Group has no control on dividend declaration of these investments. There will be no assurance on the level of dividend income to be received or no such dividend income received at all by the Group. The financial performance of the Group would be affected accordingly. Moreover, should the Group further acquire or dispose of such financial assets, it may also have a material impact on the Group's financial performance.

## LITIGATION AND LEGAL COMPLIANCE

As at the Latest Practicable Date, to the best knowledge of the Directors, no material litigation or arbitration proceedings pending or threatened against any member of the Group or any of the Directors that could have a material adverse effect on the Group's business, financial condition or results of operations.

With regard to the title defects of the five existing columbaria as disclosed in the Prospectus, the Group has obtained the real estate certificates from the relevant competent authorities as at the Latest Practicable Date.

With regard to the existing office building with title defect, the Group plans to relocate its office administration to occupy part of one of the three new columbaria, and demolish the existing office building afterwards. According to the confirmation letter dated 20 May 2019 issued by the competent authority, namely the Housing Planning and Construction Bureau of Langfang Economic and Technology Zone (廊坊經濟技術開發區住房和規劃建設局, the "**Construction Bureau**"), the Construction Bureau confirmed that it would not impose penalties or liabilities if the existing office building is demolished.

Based on the foregoing, the PRC legal advisers of the Company are of the view that the likelihood of penalties imposed on the title defect of the existing office building is low.

Save as disclosed in this announcement, since its GEM Listing and up to the Latest Practicable Date, the Group (i) had complied with laws and regulations in all material respects for its business; and (ii) had not been subject to any disciplinary action or investigation by regulators in respect of serious or potentially serious breach of or material non-compliance with any GEM Listing Rules.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Summary of the consolidated statement of profit or loss and other comprehensive income of the Group

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>unaudited</i> <i>RMB'000</i>	<i>unaudited</i> <i>RMB'000</i>
Revenue	31,179	38,617	43,385	25,387	18,803
Cost of sales and services	(5,545)	(7,000)	(6,954)	(3,432)	(3,355)
Gross profit	25,634	31,617	36,431	21,955	15,448
Other income	7,620	4,418	10,328	6,267	3,951
Other (losses)/gains	—	(395)	2,461	508	152
Loss on fair value changes of financial assets at FVTPL	—	—	(2,796)	(13,945)	(528)
Gain on fair value changes of investment properties	140	140	250	150	250
Distribution and selling expenses	(3,744)	(4,641)	(5,648)	(3,027)	(3,213)
Administrative expenses	(2,749)	(3,247)	(5,726)	(2,339)	(8,337)
Initial public offering expenses	(1,429)	(13,997)	—	—	—
Finance costs	(4,756)	—	—	—	—
Profit before taxation	20,716	13,895	35,300	9,569	7,723
Income tax expense	(4,523)	(6,772)	(7,053)	(942)	(2,645)
Profit and total comprehensive income for the year/period attributable to owners of the Company	16,193	7,123	28,247	8,627	5,078
Earnings per share Basic ( <i>RMB</i> )	0.022	0.009	0.028	0.009	0.005

### Revenue

The Group's revenue for the Track Record Period was generated from (i) provision of burial services; and (ii) provision of cemetery maintenance services.

The following table sets forth a breakdown of the Group's revenue recorded in these operating segments:

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
						<i>unaudited</i>		<i>unaudited</i>		
	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		
<b>Burial services</b>										
Sale of burial plots and columbarium units	25,994	83.4%	32,170	83.3%	37,387	86.2%	21,744	85.7%	15,550	82.7%
Provision of other burial-related services	2,537	8.1%	3,396	8.8%	2,619	6.0%	2,037	8.0%	1,528	8.1%
<b>Subtotal</b>	<b>28,531</b>	<b>91.5%</b>	<b>35,566</b>	<b>92.1%</b>	<b>40,006</b>	<b>92.2%</b>	<b>23,781</b>	<b>93.7%</b>	<b>17,078</b>	<b>90.8%</b>
Cemetery maintenance services	2,648	8.5%	3,051	7.9%	3,379	7.8%	1,606	6.3%	1,725	9.2%
<b>Total</b>	<b>31,179</b>	<b>100.0%</b>	<b>38,617</b>	<b>100.0%</b>	<b>43,385</b>	<b>100.0%</b>	<b>25,387</b>	<b>100.0%</b>	<b>18,803</b>	<b>100.0%</b>

The Group's revenue decreased by approximately 25.9% from approximately RMB25.4 million for the six months ended 30 June 2018 to approximately RMB18.8 million for the six months ended 30 June 2019, primarily due to (i) the Group did not record revenue from the sale of columbarium units during the six months ended 30 June 2019 as compared to approximately RMB4.1 million of such revenue recorded in the same period of 2018; and (ii) the decrease in number of burial plots sold. The decreases in both of the numbers of columbarium units and burial plots sold were primarily due to the reason that there was less impact from the redevelopment plan of the local government for the six months ended 30 June 2019 while in the same period of 2018, the Group has accommodated the government's redevelopment plan and sold columbarium units to a local village council and a property developer and burial plots to affected villagers from villages nearby. The Group's revenue from burial services decreased by approximately 28.2% from approximately RMB23.8 million for the six months ended 30 June 2018 to approximately RMB17.1 million for the six months ended 30 June 2019, primarily due to same reasons.

The Group's revenue for the year ended 31 December 2018 amounted to approximately RMB43.4 million, representing a growth of approximately RMB4.8 million or 12.3% as compared with that of approximately RMB38.6 million for the year ended 31 December 2017. The increase in revenue was primarily driven by an increase in revenue from burial services primarily caused by the migration of villagers from nearby villages arising from the redevelopment plan of the local government and several columbarium units sold to a local village council and a property developer. The Group's revenue from burial services increased by approximately 12.5% from approximately RMB35.6 million in 2017 to approximately RMB40.0 million in 2018, primarily due to the revenue of approximately RMB4.1 million from the sale of columbarium units with a total GFA of approximately 288 sq.m. (2017: nil). In addition, the increase in revenue was also due to the increase in the average selling price of traditional burial plots, from approximately RMB31,642 in 2017 to approximately RMB35,065 in 2018, which was primarily due to inflation, increased market demand and customers' willingness to pay for traditional burial plots.

The Group's revenue for the year ended 31 December 2017 amounted to approximately RMB38.6 million, representing a growth of approximately RMB7.4 million or 23.9% as compared with that of approximately RMB31.2 million recorded for the year ended 31 December 2016. The increase was mainly attributable to the combined effect of (i) an increase in the total number of burial plots transferred and recognized as revenue from 790 in 2016 to 949 in 2017, mainly due to the adoption of new sales contract in December 2016 and the entering into supplemental agreements with customers in relation to the transfer of use right of the burial plots; (ii) an increase in the average selling price of traditional burial plots, from approximately RMB31,169 in 2016 to approximately RMB31,642 in 2017, which was primarily due to inflation, increased market demand and customers' willingness to pay for traditional burial plots; and (iii) an increase in the average selling price of artistic burial plots, from approximately RMB129,071 in 2016 to approximately RMB174,400 in 2017, which catered to customers' increasing willingness and ability to pay for customized burial plots.

### ***Burial services***

The Group's burial services consist primarily of (i) the sale of burial plots, which includes the right to use the burial plots, headstones and ancillary products to be used on burial plots, and the sale of columbarium units which includes the right to use the columbarium units only; and (ii) provision of ancillary burial-related services such as organizing and conducting of interment rituals, designing, constructing and landscaping of the burial plots, and engraving of inscriptions and ceramic photographs on the headstones. Burial services were the largest component of the Group's revenue, representing approximately 91.5%, 92.1%, 92.2% and 90.8% of its total revenue for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. The Group's revenue from burial services, in particular, the sale of burial plots, for a given period is dependent upon the number and the average selling price of burial plots transferred and recognized as revenue during the period.

The following tables set forth a breakdown of the Group's revenue from the sale of burial plots and columbarium units for the periods indicated:

	2016		Year ended 31 December			2017				
	No. of units transferred	Site area of units transferred <i>sq.m.</i>	Average selling price unit <i>RMB</i>	Revenue <i>RMB'000</i>	% of revenue from sale of burial plots	No. of units transferred	Site area of units transferred <i>sq.m.</i>	Average selling price unit <i>RMB</i>	Revenue <i>RMB'000</i>	% of revenue from sale of burial plots
<b>Burial plots</b>										
Traditional	776	2,381	31,169/ unit	24,187	93.0%	934	2,922	31,642/ unit	29,554	91.9%
Artistic	14	70	129,071/ unit	1,807	7.0%	15	75	174,400/ unit	2,616	8.1%
<b>Total</b>	<b>790</b>	<b>2,451</b>		<b>25,994</b>	<b>100.0%</b>	<b>949</b>	<b>2,997</b>		<b>32,170</b>	<b>100.0%</b>

Year ended 31 December 2018						% of revenue from sale of burial plots and columbarium units
	No. of units transferred	Site area of units transferred <i>sq.m.</i>	GFA of units transferred <i>sq.m.</i>	Average selling price <i>RMB</i>	Revenue <i>RMB'000</i>	
<b>Burial plots</b>						
Traditional	864	2,607		35,065/unit	30,296	81.0%
Artistic	18	90		163,667/unit	2,946	7.9%
<b>Subtotal</b>	<b>882</b>	<b>2,697</b>			<b>33,242</b>	<b>88.9%</b>
<b>Columbarium units</b>	<b>3</b>	<b>—</b>	288	14,392/sq.m.	4,145	11.1%
<b>Total</b>	<b>N/A<sup>Note</sup></b>	<b>N/A</b>	N/A		<b>37,387</b>	<b>100.0%</b>
Six months ended 30 June 2018						% of revenue from sale of burial plots and columbarium units
	No. of units transferred	Site area of units transferred <i>sq.m.</i>	GFA of units transferred <i>sq.m.</i>	Average selling price <i>RMB</i>	Revenue <i>unaudited</i> <i>RMB'000</i>	
<b>Burial plots</b>						
Traditional	465	1,401		35,381/unit	16,452	75.7%
Artistic	9	45		127,444/unit	1,147	5.2%
<b>Subtotal</b>	<b>474</b>	<b>1,446</b>			<b>17,599</b>	<b>80.9%</b>
<b>Columbarium units</b>	<b>3</b>	<b>—</b>	288	14,392/sq.m.	4,145	19.1%
<b>Total</b>	<b>N/A<sup>Note</sup></b>	<b>N/A</b>	N/A		<b>21,744</b>	<b>100.0%</b>
Six months ended 30 June 2019						% of revenue from sale of burial plots and columbarium units
	No. of units transferred	Site area of units transferred <i>sq.m.</i>	GFA of units transferred <i>sq.m.</i>	Average selling price <i>RMB</i>	Revenue <i>unaudited</i> <i>RMB'000</i>	
<b>Burial plots</b>						
Traditional	320	968		43,775/unit	14,008	90.1%
Artistic	11	55		140,182/unit	1,542	9.9%
<b>Subtotal</b>	<b>331</b>	<b>1,023</b>			<b>15,550</b>	<b>100.0%</b>
<b>Columbarium units</b>	<b>—</b>	<b>—</b>	—	—	—	—
<b>Total</b>	<b>N/A<sup>Note</sup></b>	<b>N/A</b>	N/A		<b>15,550</b>	<b>100.0%</b>

Note:

As disclosed in the paragraph headed “Summary of the Group’s business — Business model”, the business model of sale of burial plots differs from that of sale of columbarium units, especially in the area occupied/sold. The sale of columbarium units is in the form of unit sale of the columbaria of the Group, which house a number of cremation niches holding cremains. Therefore, aggregating the number of columbarium units with that of burial plots transferred would not be informative for the purpose of analyzing the Group’s revenue during the Track Record Period.

### **Cemetery maintenance services**

The Group provides ongoing cemetery maintenance services as an integral part of its burial services to maintain its beautifully landscaped cemetery. Customers for burial plots pay maintenance fees upfront when they sign the sales contracts to purchase the burial plots. The Group’s revenue from provision of cemetery maintenance services was approximately RMB2.6 million, RMB3.1 million, RMB3.4 million and RMB1.7 million for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. Such revenue increased gradually during the Track Record Period as a result of the accumulated number of burial plots sold in the past.

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

The Group’s cost of sales and services consist primarily of the costs it incurred in relation to the provision of its services, including the headstone cost, construction cost of columbaria, land acquisition cost, cemetery maintenance cost, burial-related cost and others. The Group’s cost of sales and services for the three years ended 31 December 2018 and the six months ended 30 June 2019 was approximately RMB5.5 million, RMB7.0 million, RMB7.0 million and RMB3.4 million, respectively.

The following table sets forth information relating to the Group’s cost of sales and services by segment for the periods indicated:

	2016		Year ended 31 December 2017		2018	
	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	Cost of sales and services RMB’000	% of total cost of sales and services
Burial services	5,127	92.5%	6,379	91.1%	6,585	94.7%
Cemetery maintenance services	418	7.5%	621	8.9%	369	5.3%
<b>Total</b>	<b>5,545</b>	<b>100.0%</b>	<b>7,000</b>	<b>100.0%</b>	<b>6,954</b>	<b>100.0%</b>

	Six months ended 30 June			
	2018		2019	
	Cost of sales and services <i>unaudited</i> <i>RMB'000</i>	% of total cost of sales and services	Cost of sales and services <i>unaudited</i> <i>RMB'000</i>	% of total cost of sales and services
Burial services	3,278	95.5%	3,116	92.9%
Cemetery maintenance services	<u>154</u>	<u>4.5%</u>	<u>239</u>	<u>7.1%</u>
<b>Total</b>	<b><u>3,432</u></b>	<b><u>100.0%</u></b>	<b><u>3,355</u></b>	<b><u>100.0%</u></b>

The Group's cost of sales and services remained stable at approximately RMB3.4 million for the six months ended 30 June 2018 and 30 June 2019. The Group's cost of sales and services for burial services decreased by approximately 4.9% from approximately RMB3.3 million for the six months ended 30 June 2018 to approximately RMB3.1 million for the six months ended 30 June 2019, primarily due to the decrease in sales of burial plots and columbarium units, partially offset by the increase in the average cost of burial plots (mainly the headstone cost) and burial services. The Group's cost of sales and services for cemetery maintenance services increased slightly from approximately RMB0.15 million for the six months ended 30 June 2018 to approximately RMB0.24 million for the six months ended 30 June 2019, which is considered fairly stable in terms of absolute amount.

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

The Group's cost of sales and services for burial services increased by approximately 24.4% from approximately RMB5.1 million for the year ended 31 December 2016 to approximately RMB6.4 million for the year ended 31 December 2017. The Group's cost of sales and services for cemetery maintenance services increased from approximately RMB0.4 million in 2016 to approximately RMB0.6 million in 2017. The increase of the Group's cost of sales and services was in line with its increase in revenue.

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

	2016		Year ended 31 December 2017		2018	
	Cost of sales and services <i>RMB'000</i>	% of total cost of sales and services	Cost of sales and services <i>RMB'000</i>	% of total cost of sales and services	Cost of sales and services <i>RMB'000</i>	% of total cost of sales and services
Headstone cost and construction cost of columbaria	4,467	80.6%	5,143	73.5%	5,241	75.4%
Land acquisition cost	370	6.7%	239	3.4%	222	3.2%
Cemetery maintenance cost	418	7.5%	621	8.9%	369	5.3%
Burial-related cost	246	4.4%	747	10.7%	767	11.0%
Others	44	0.8%	250	3.5%	355	5.1%
<b>Total</b>	<b><u>5,545</u></b>	<b><u>100.0%</u></b>	<b><u>7,000</u></b>	<b><u>100.0%</u></b>	<b><u>6,954</u></b>	<b><u>100.0%</u></b>

	2018		Six months ended 30 June 2019	
	Cost of sales and services <i>unaudited</i> <i>RMB'000</i>	% of total cost of sales and services	Cost of sales and services <i>unaudited</i> <i>RMB'000</i>	% of total cost of sales and services
Headstone cost and construction cost of columbaria	2,314	67.4%	2,031	60.5%
Land acquisition cost	111	3.3%	83	2.5%
Cemetery maintenance cost	154	4.5%	239	7.1%
Burial-related cost	677	19.7%	816	24.3%
Others	176	5.1%	186	5.6%
<b>Total</b>	<b><u>3,432</u></b>	<b><u>100.0%</u></b>	<b><u>3,355</u></b>	<b><u>100.0%</u></b>

## Gross profit and gross profit margin

The following table sets forth information relating to the Group's gross profit and gross profit margin by segment for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Burial services	23,404	82.0%	29,187	82.1%	33,421	83.5%
Cemetery maintenance services	<u>2,230</u>	84.2%	<u>2,430</u>	79.7%	<u>3,010</u>	89.1%
<b>Total</b>	<b><u>25,634</u></b>	<b>82.2%</b>	<b><u>31,617</u></b>	<b>81.9%</b>	<b><u>36,431</u></b>	<b>84.0%</b>

	Six months ended 30 June			
	2018		2019	
	Gross profit <i>unaudited</i> <i>RMB'000</i>	Gross profit margin %	Gross profit <i>unaudited</i> <i>RMB'000</i>	Gross profit margin %
Burial services	20,503	86.2%	13,962	81.8%
Cemetery maintenance services	<u>1,452</u>	90.4%	<u>1,486</u>	86.1%
<b>Total</b>	<b><u>21,955</u></b>	<b>86.5%</b>	<b><u>15,448</u></b>	<b>82.2%</b>

The Group's overall gross profit margin maintained at a level of over 80% during the Track Record Period. The Directors believe that the relatively high gross profit margin was principally due to (i) the Group's ability to provide high-quality burial services; and (ii) the relatively low land acquisition cost for its cemetery.

The Group's gross profit decreased by approximately 29.6% from approximately RMB22.0 million for the six months ended 30 June 2018 to approximately RMB15.4 million for the six months ended 30 June 2019. The Group's gross profit for burial services decreased by approximately 31.9% from approximately RMB20.5 million for the six months ended 30 June 2018 to approximately RMB14.0 million for the six months ended 30 June 2019. These decreases were primarily due to the decrease in revenue from burial services as discussed in the paragraph headed "Revenue" above. The Group's overall gross profit margin decreased from approximately 86.5% for the six months ended 30 June 2018 to approximately 82.2% for the six months ended 30 June 2019. The Group's gross profit margin for burial services decreased from approximately 86.2% for the six months ended 30 June 2018 to approximately 81.8% for the six months ended 30 June 2019, and such decrease was primarily due to the sale of three columbarium units in 2018 with higher gross profit margin. The gross profit for cemetery maintenance services

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

The Group's gross profit increased by approximately 15.2% from approximately RMB31.6 million for the year ended 31 December 2017 to approximately RMB36.4 million for the year ended 31 December 2018. The increase was primarily due to (i) the increase in average selling price of traditional burial plots and the effective cost management of the Group; and (ii) the Group's reduction of other greening sporadic expenses in 2018. The Group's overall gross profit margin increased from approximately 81.9% for the year ended 31 December 2017 to approximately 84.0% for the year ended 31 December 2018. The gross profit margin of the burial services increased slightly, mainly due to the increase in average selling price of traditional burial plots and the effective cost management of the Group. The gross profit margin of the cemetery maintenance services increased from approximately 79.7% for the year ended 31 December 2017 to approximately 89.1% for the year ended 31 December 2018, mainly due to the Group's reduction of other greening sporadic expenses in 2018.

The Group's gross profit increased by approximately 23.3% from approximately RMB25.6 million for the year ended 31 December 2016 to approximately RMB31.6 million for the year ended 31 December 2017. The increase was primarily due to the increase of approximately 23.9% in revenue of the Group as discussed in the paragraph headed "Revenue" above. The Group's overall gross profit margin decreased slightly from approximately 82.2% for the year ended 31 December 2016 to approximately 81.9% for the year ended 31 December 2017. Such decrease was primarily due to the increased salary paid to the Group's temporary staff and the increased cost of trees planted in the Group's cemetery during 2017, resulting in a decrease of the gross profit margin of the cemetery maintenance services.

### **Other income**

The Group's other income decreased by approximately 37.0% from approximately RMB6.3 million for the six months ended 30 June 2018 to approximately RMB4.0 million for the six months ended 30 June 2019. Such decrease was primarily due to the decrease in dividend income from financial assets at FVTPL (as further discussed below) for the six months ended 30 June 2019 subsequent to the disposal of certain financial assets at FVTPL in August 2018, partially offset by a government grant in the amount of RMB2.0 million received during the six months ended 30 June 2019 in relation to the GEM Listing.

The Group's other income increased by approximately 133.8% from approximately RMB4.4 million in 2017 to approximately RMB10.3 million in 2018. Such increase was primarily due to an increase in dividend income from financial assets (being the Group's equity investments in certain local banks in Langfang) at FVTPL (previously classified as dividend income from available-for-sale investments for the years ended 31 December 2016 and 2017) in 2018, and a government grant of RMB3.0 million issued by Langfang Finance Bureau in 2018 in relation to the GEM Listing (2017: nil), which has no unfulfilled conditions or contingencies relating to such income.

The Group's other income decreased by approximately 42.0% from approximately RMB7.6 million in 2016 to approximately RMB4.4 million in 2017. Such decrease was primarily due to no interest income on loan receivables recorded in 2017 following the full repayment of certain loans by an independent third party in 2016.

The following table sets forth a breakdown of the Group's other income for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>unaudited</i> <i>RMB'000</i>	<i>unaudited</i> <i>RMB'000</i>
Interest income on bank deposits	34	628	950	68	1,056
Interest income on loan receivables	4,756	—	—	—	—
Dividend income from financial assets at FVTPL	—	—	6,104	6,104	800
Dividend income from available-for-sale investments	2,640	3,600	—	—	—
Rental income	190	190	190	95	95
Government grants	—	—	3,084	—	2,000
<b>Total</b>	<b><u>7,620</u></b>	<b><u>4,418</u></b>	<b><u>10,328</u></b>	<b><u>6,267</u></b>	<b><u>3,951</u></b>

### **Distribution and selling expenses**

The Group's distribution and selling expenses increased by approximately 6.1% from approximately RMB3.0 million for the six months ended 30 June 2018 to approximately RMB3.2 million for the six months ended 30 June 2019. Such increase was primarily due to increase in (i) salary and staff costs; and (ii) commissions paid to partnered funeral services providers.

The Group's distribution and selling expenses increased by approximately 21.7% from approximately RMB4.6 million for the year ended 31 December 2017 to approximately RMB5.6 million for the year ended 31 December 2018. Such increase was primarily due to an increase in salary and staff costs driven by business growth.

The Group's distribution and selling expenses increased by approximately 24.0% from approximately RMB3.7 million for the year ended 31 December 2016 to approximately RMB4.6 million for the year ended 31 December 2017. Such increase was primarily due to increase in (i) commissions paid to partnered funeral services providers; and (ii) salary and staff costs.

The following tables set forth a breakdown of the Group's distribution and selling expenses for the periods indicated:

	2016		Year ended 31 December 2017		2018	
	Distribution and selling expenses <i>RMB'000</i>	% of total distribution and selling expenses	Distribution and selling expenses <i>RMB'000</i>	% of total distribution and selling expenses	Distribution and selling expenses <i>RMB'000</i>	% of total distribution and selling expenses
Salary and staff costs	2,266	60.5%	2,927	63.1%	3,885	68.8%
Commissions	649	17.3%	1,091	23.5%	1,189	21.1%
Advertisement and promotion	481	12.8%	192	4.1%	186	3.3%
Others	348	9.4%	431	9.3%	388	6.8%
<b>Total</b>	<b>3,744</b>	<b>100.0%</b>	<b>4,641</b>	<b>100.0%</b>	<b>5,648</b>	<b>100.0%</b>

	2018		Six months ended 30 June 2019	
	Distribution and selling expenses <i>unaudited</i> <i>RMB'000</i>	% of total distribution and selling expenses	Distribution and selling expenses <i>unaudited</i> <i>RMB'000</i>	% of total distribution and selling expenses
Salary and staff costs	1,991	65.8%	2,204	68.6%
Commissions	635	21.0%	660	20.5%
Advertisement and promotion	95	3.1%	129	4.0%
Others	306	10.1%	220	6.9%
<b>Total</b>	<b>3,027</b>	<b>100.0%</b>	<b>3,213</b>	<b>100.0%</b>

## Administrative expenses

The Group's administrative expenses increased by approximately 256.4% from approximately RMB2.3 million for the six months ended 30 June 2018 to approximately RMB8.3 million for the six months ended 30 June 2019. Such increase was primarily due to professional service fees for the Transfer, which amounted to approximately RMB5.3 million.

The Group's administrative expenses increased by approximately 76.3% from approximately RMB3.2 million for the year ended 31 December 2017 to approximately RMB5.7 million for the year ended 31 December 2018. Such increase was primarily due to the increase in (i) professional service fees subsequent to the GEM Listing; (ii) salary and staff costs; and (iii) other cost primarily relating to office-related costs.

The Group's administrative expenses increased by approximately 18.1% from approximately RMB2.7 million for 2016 to approximately RMB3.2 million for 2017. Such increase was primarily due to (i) the increase in professional service fees incurred in relation to auditing and compliance, partially offset by the decrease in membership fees; and (ii) other miscellaneous expenses.

The following tables set forth a breakdown of the Group's administrative expenses for the periods indicated:

	2016		Year ended 31 December 2017		2018	
	Administrative expenses <i>RMB'000</i>	% of total administrative expenses	Administrative expenses <i>RMB'000</i>	% of total administrative expenses	Administrative expenses <i>RMB'000</i>	% of total administrative expenses
Salary and staff costs	724	26.3%	476	14.7%	928	16.2%
Membership fees	1,010	36.7%	3	0.1%	3	0.1%
Depreciation and amortization	349	12.7%	402	12.4%	677	11.8%
Taxation expenses	323	11.8%	419	12.9%	398	7.0%
Professional service fees	—	—	1,021	31.4%	2,288	39.9%
Others	343	12.5%	926	28.5%	1,432	25.0%
<b>Total</b>	<b>2,749</b>	<b>100.0%</b>	<b>3,247</b>	<b>100.0%</b>	<b>5,726</b>	<b>100.0%</b>

	Six months ended 30 June			
	2018	% of total	2019	% of total
	Administrative expenses <i>unaudited</i> <i>RMB'000</i>	administrative expenses	Administrative expenses <i>unaudited</i> <i>RMB'000</i>	administrative expenses
Salary and staff costs	475	20.3%	770	9.2%
Depreciation and amortization	262	11.2%	387	4.6%
Taxation expenses	187	8.0%	184	2.2%
Professional service fees for the Transfer	—	—	5,279	63.3%
Other professional service fees	1,074	45.9%	892	10.7%
Others	341	14.6%	825	10.0%
<b>Total</b>	<b><u>2,339</u></b>	<b><u>100.0%</u></b>	<b><u>8,337</u></b>	<b><u>100.0%</u></b>

### Initial public offering expenses

The Group incurred initial public offering expenses of approximately RMB1.4 million and RMB14.0 million in 2016 and 2017, respectively. No such expenses was incurred in 2018 and the six months ended 30 June 2019.

### Finance costs

Finance costs represented interest expense on bank loans. The Group's finance costs for the three years ended 31 December 2018 and the six months ended 30 June 2019 were approximately RMB4.8 million, nil, nil and nil, respectively. Such decrease was due to the full repayment of certain bank loans in 2016.

### Profit before taxation

The Group's profit before taxation decreased by approximately 19.3% from approximately RMB9.6 million for the six months ended 30 June 2018 to approximately RMB7.7 million for the six months ended 30 June 2019. The Group's profit before taxation increased by approximately 154.0% from approximately RMB13.9 million in 2017 to approximately RMB35.3 million in 2018. The Group's profit before taxation decreased by approximately 32.9% from approximately RMB20.7 million in 2016 to approximately RMB13.9 million in 2017.

### Income tax expense

The Group's income tax expense amounted to approximately RMB4.5 million, RMB6.8 million, RMB7.1 million and RMB2.6 million for the three years ended 31 December 2018 and the six months ended 30 June 2019, respectively, representing an effective tax rate of approximately 21.8%, 48.7%, 20.0% and 34.2%, respectively.

## **Profit and total comprehensive income for the year/period and net profit margin**

The Group's profit and total comprehensive income for the period decreased by approximately 41.1% from approximately RMB8.6 million for the six months ended 30 June 2018 to approximately RMB5.1 million for the six months ended 30 June 2019. The Group's net profit margin decreased from approximately 34.0% for the six months ended 30 June 2018 to approximately 27.0% for the six months ended 30 June 2019, primarily due to (i) the decrease in revenue from sale of burial plots and columbarium units, (ii) the professional service fees for the Transfer, (iii) the increase in income tax expenses, which was partially offset by (iv) the decrease in loss on fair value changes of financial assets at FVTPL.

The Group's profit and total comprehensive income for the year decreased by approximately 56.0% from approximately RMB16.2 million in 2016 to approximately RMB7.1 million in 2017, then increased by approximately 296.6% to approximately RMB28.2 million in 2018. The Group's net profit margin decreased from approximately 51.9% in 2016 to approximately 18.4% in 2017, then increased to approximately 65.1% in 2018, primarily due to the initial public offering expenses incurred from professional advisers in connection with the preparation of the GEM Listing.

## **Key fluctuations of the unaudited financial information of the Group for the nine months ended 30 September 2019**

The Group has published its third quarterly report (“**2019 3Q Report**”) with respect to its unaudited financial information for the nine months ended 30 September 2019 on 13 November 2019.

### ***Revenue and cost of sales and services***

As mentioned in the paragraph headed “Business outlook and recent development — Strengthen the market position in Langfang” above and the 2019 3Q Report, the Group has completed the construction of three buildings in its cemetery as columbaria in September 2019. During the three months ended 30 September 2019, the Group recognized a revenue in the amount of approximately RMB24.9 million from the sale of certain units in such columbaria. As such, the Group recorded a revenue of approximately RMB51.9 million for the nine months ended 30 September 2019, representing an increase of approximately 56.6%, as compared to approximately RMB33.1 million for the corresponding period in 2018. In light of the higher construction costs of the new columbaria, coupled with the increase in average cost of burial plots and burial services, the Group's overall cost of sales and services also increased during the nine months ended 30 September 2019.

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

As a result of the foregoing, the Group's overall gross profit increased for the nine months ended 30 September 2019 but with a slight decrease in overall gross profit margin as compared to the corresponding period in 2018, mainly due to higher construction costs of the new columbaria resulting in a lower gross profit margin for the sale of certain columbarium units in September 2019.

### ***Other income***

For the nine months ended 30 September 2019, the Group's other income decreased, primarily due to the decrease in dividends income from financial assets at FVTPL subsequent to the sale of certain financial assets at FVTPL in August 2018, which was discussed in the paragraph headed "Summary of the consolidated statements of financial position of the Group — Available-for-sale investments and financial assets at FVTPL".

### ***Administrative expenses***

The Group's administrative expenses increased for the nine months ended 30 September 2019 as compared to the corresponding period in 2018, primarily due to professional fees and other expenses incurred in 2019 for the Transfer, which amounted to approximately RMB6.4 million.

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

The Group's profit and total comprehensive income amounted to approximately RMB22.6 million for the nine months ended 30 September 2019, representing a decrease of approximately 6.5% as compared to the corresponding period in 2018. The decrease was mainly due to (i) the increase in tax expenses as a result of a higher deferred tax credit resulting from loss on fair value changes of financial assets at FVTPL in 2018 and (ii) the increase in administrative expenses, partially offset by the increase in sales and gross profit driven by the increase in sales of certain columbarium units for the nine months ended 30 September 2019. As a result of above, the Group's net profit margin decreased for the nine months ended 30 September 2019.

For further details, please refer to the 2019 3Q Report.

## Summary of the consolidated statement of financial position of the Group

	2016	As at 31 December 2017	2018	As at 30 June 2019 <i>unaudited</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	2,438	2,631	3,499	3,118
Investment properties	5,270	5,410	5,660	5,910
Cemetery assets	6,761	9,092	9,081	7,921
Available-for-sale investments	53,000	71,300	—	—
Financial assets at FVTPL	—	—	8,845	8,317
	<u>67,469</u>	<u>88,433</u>	<u>27,085</u>	<u>25,266</u>
<b>CURRENT ASSETS</b>				
Inventories	5,501	3,537	2,001	16,900
Prepayments and other receivables	5,747	312	465	483
Amounts due from related parties	—	2,058	—	—
Bank balances and cash	57,091	81,720	191,412	185,753
	<u>68,339</u>	<u>87,627</u>	<u>193,878</u>	<u>203,136</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	30,909	21,185	9,470	10,340
Amount due to a related party	—	752	—	—
Contract liabilities	—	—	9,096	17,397
Deferred income	2,962	3,220	—	—
Income tax payable	7,419	11,679 <sup>Note</sup>	18,685	9,113
	<u>41,290</u>	<u>36,836</u>	<u>37,251</u>	<u>36,850</u>
<b>NET CURRENT ASSETS</b>	<u>27,049</u>	<u>50,791</u>	<u>156,627</u>	<u>166,286</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>94,518</u>	<u>139,224</u>	<u>183,712</u>	<u>191,552</u>
<b>NON-CURRENT LIABILITIES</b>				
Contract liabilities	—	—	52,697	55,529
Deferred income	39,295	48,487	—	—
Deferred tax liabilities	75	2,310	2,085	2,015
	<u>39,370</u>	<u>50,797</u>	<u>54,782</u>	<u>57,544</u>
<b>NET ASSETS</b>	<u>55,148</u>	<u>88,427</u>	<u>128,930</u>	<u>134,008</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	32,000	66,192	66,192	66,192
Reserves	23,148	22,235	62,738	67,816
<b>Equity attributable to owners of the Company</b>	<u>55,148</u>	<u>88,427</u>	<u>128,930</u>	<u>134,008</u>
<b>TOTAL EQUITY</b>	<u>55,148</u>	<u>88,427</u>	<u>128,930</u>	<u>134,008</u>

Note:

As disclosed in the annual report of the Company published on 22 March 2019 for the year ended 31 December 2018, the income tax paid by the Group in 2018 was approximately RMB4.4 million. The difference between the income tax paid by the Group and its income tax payable for 2018 primarily represented the tax liability arising from the waiving of the loan between the Group and Mr. Wang Jianjun (王建军, “Mr. Wang”) who is the spouse of Ms. Zhao. As disclosed in the Prospectus, for the corporate reorganization of the Group in preparation of the GEM Listing, the Group borrowed funds from Mr. Wang to settle certain acquisition consideration in an aggregated amount of RMB48.5 million in 2017. On 28 August 2017, the Group repaid RMB16.0 million to Mr. Wang. The remaining amount of RMB32.5 million was waived by Mr. Wang on 30 August 2017 and the Group incurred an accrued income tax liability in the amount of RMB8.125 million accordingly.

Based on the confirmation letter issued by the Langfang Economic and Technological Development Zone Tax Bureau of the State Taxation Administration (國家稅務總局廊坊經濟技術開發區稅務局) on 12 July 2019, upon the payment of such accrued income tax in the amount of RMB8.125 million by the Group in October 2019, there will be no additional tax or belated payment to be charged by this authority. In addition, based on the interview with Langfang Tax Bureau of the State Taxation Administration (國家稅務總局廊坊市稅務局) on 1 August 2019, it confirms that it is the higher authority of Langfang Economic and Technological Development Zone Tax Bureau of the State Taxation Administration, which is the competent tax authority to the Group, and has the authority to regulate activities conducted by the Group in accordance with applicable policies, laws and regulations in the PRC; the decisions made or confirmations issued by Langfang Economic and Technological Development Zone Tax Bureau of the State Taxation Administration generally will not be repealed by its higher tax regulatory authorities in the PRC. As advised by the PRC legal adviser of the Company, Langfang Economic and Technological Development Zone Tax Bureau of the State Taxation Administration is the competent authority to issue the confirmation letter dated 12 July 2019, and the likelihood of this confirmation being repealed by its higher tax regulatory authorities in the PRC is low. The Group paid the tax mentioned above in October 2019.

## Cemetery assets

The cemetery assets of the Group consist of prepaid lease payments, cost of initial land development and cost of landscaping for the general public areas of the cemetery and are carried at the lower of cost less accumulated amortization and net realized value prior to the commencement of development of the cemetery. Amortization for cemetery assets is provided on a straight-line basis over the estimated useful life of the cemetery assets and is recognized in the statements of profit or loss and other comprehensive income. Upon the commencement of development of cemetery assets into burial plots or columbarium units with the intention of sale in the ordinary course of business, the related carrying amounts of cemetery assets are transferred to inventories.

The Group’s cemetery assets amounted to approximately RMB6.8 million, RMB9.1 million, RMB9.1 million and RMB7.9 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. The increase in the cemetery assets from 31 December 2016 to 31 December 2017 was primarily attributable to the addition of landscaping facilities to upgrade the environment of the cemetery, which was partially offset by amortization. The Group maintained a similar level of cemetery assets as at 31 December 2017 and 31 December 2018. The cemetery assets decreased to approximately RMB7.9 million as at 30 June 2019 as relevant carrying amounts of cemetery assets were transferred to inventories for development of the cemetery with the intention of sale in the ordinary course of business.

## Available-for-sale investments and financial assets at FVTPL

As at 31 December 2016 and 2017, the Group held 10% and 5.78% equity interests in Huimin Town Bank Co., Ltd of Anci District, Langfang City (廊坊市安次區惠民村鎮銀行股份有限公司) and Suburban Rural Credit Cooperatives of Langfang City (廊坊市城郊農村信用合作聯社), respectively. As the Group was not able to assign any director to the board of directors of these investees to exercise significant influence over these investees, such investments were classified as available-for-sale investments and measured at cost less impairment as at 31 December 2016 and 2017.

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

### *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 *Financial Instruments: Recognition and Measurement* (“IAS 39”) at the date of initial application, 1 January 2018:

	Available- for-sale investments <i>RMB'000</i>	Financial assets at FVTPL required by IFRS 9 <i>RMB'000</i>	Deferred tax liabilities <i>RMB'000</i>	Retained earnings <i>RMB'000</i>
<b>Closing balance at 31 December 2017</b>				
— IAS 39	71,300	—	2,310	16,883
<b>Reclassification</b>				
From available-for-sale investments <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>	<u>—</u>	<u>87,641</u>	<u>6,395</u>	<u>29,139</u>

*Notes:*

(a) The financial assets previously classified as loans and receivables are all grouped under amortized 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 recognized with the deferred tax expense charged to retained earnings as at 1 January 2018.*

Reconciliation of fair value measurements of financial assets at FVTPL from 31 December 2017 to 30 June 2019 following the adoption of IFRS 9:

	<b>Financial assets at FVTPL RMB'000</b>
Closing balance as at 31 December 2017	—
Reclassification	
From available-for-sale investments	71,300
Remeasurement	
From cost less impairment to fair value	<u>16,341</u>
Opening balance as at 1 January 2018	87,641
Loss on fair value changes of financial assets at FVTPL charged to profit or loss for the year ended 31 December 2018	(2,796)
Disposal (as defined below) in August 2018	<u>(76,000)</u>
Closing balance as at 31 December 2018	8,845
Loss on fair value changes of financial assets at FVTPL charged to profit or loss for the six months ended 30 June 2019	<u>(528)</u>
Closing balance as at 30 June 2019	<u><u>8,317</u></u>

Except for the reclassification and measurement of the Group's financial assets as disclosed above, the adoption of IFRS 9 does not have a material impact on the Group's financial position or performance.

In August 2018, after approached by an independent third party (as purchaser) with a favorable price, the Group disposed of its entire equity interests in Suburban Rural Credit Cooperatives of Langfang City (the “**Disposal**”), at a consideration of RMB76.0 million, after considering (i) those equity interests held were assets not relating to the core business of the Group; and (ii) the Disposal would bring a considerable gain on fair value changes to the Group which would enable the Group to diversify and explore other business prospects and investment opportunities. The Group recognized a gain on fair value changes of approximately RMB11.1 million from such Disposal which was calculated by comparing the consideration of the Disposal of RMB76.0 million and the fair value of this investment of approximately RMB64.9 million as at 30 June 2018. Subsequent to the Disposal, the Group recorded financial assets at FVTPL in the amount

of approximately RMB8.8 million as at 31 December 2018, as it still holds 10% equity interests in Huimin Town Bank Co., Ltd of Anci District, Langfang City. The amount of such financial assets at FVTPL as at 30 June 2019 was approximately RMB8.3 million.

## Inventories

The Group's inventories primarily consist of burial plots, columbarium units, headstones and others. The related carrying amounts of the cemetery assets attributable to the burial plots or columbarium units are transferred to inventories upon the commencement of development of cemetery assets into burial plots or columbarium units with the intention of sale in the ordinary course of business. Headstones are recognized as inventories when they are contracted for sale and set up in the cemetery. Inventories are transferred to cost of sales and services when the customer obtains the right to use the burial plot or columbarium units.

The following table sets forth the Group's inventories as at the dates indicated:

	As at 31 December			As at 30 June 2019
	2016	2017	2018	<i>unaudited</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Burial plots	1,135	897	675	1,494
Columbarium units	677	677	260	13,898
Headstones	3,408	1,963	1,066	924
Others	281	—	—	584
<b>Total</b>	<b><u>5,501</u></b>	<b><u>3,537</u></b>	<b><u>2,001</u></b>	<b><u>16,900</u></b>

The Group's inventories decreased by approximately 35.7% from approximately RMB5.5 million as at 31 December 2016 to approximately RMB3.5 million as at 31 December 2017, and further decreased by approximately 43.4% to approximately RMB2.0 million as at 31 December 2018, primarily due to certain headstones previously contracted with customers being recognized as cost of sales and services upon transfer of the headstones during the corresponding years. As at 30 June 2019, the Group's inventories increased by approximately 744.6% to approximately RMB16.9 million, primarily due to certain expenditure for the construction of the three new columbaria.

## Prepayments and other receivables

The Group's prepayments and other receivables decreased by approximately 94.6% from approximately RMB5.7 million as at 31 December 2016 to approximately RMB0.3 million as at 31 December 2017, primarily due to the settlement of staff loan receivables, then remained relatively stable at approximately RMB0.5 million as at 31 December 2018 and 30 June 2019.

## Trade and other payables

The following table sets forth the Group's trade and other payables as at the dates indicated:

	2016	As at 31 December		As at
		2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2019</i>
				<i>unaudited</i>
				<i>RMB'000</i>
Trade payables	945	2,353	1,043	701
Advances from customers	21,003	9,141	—	—
Accrued expenses	7,625	8,626	8,427	9,639
Accrued initial public offering expenses	<u>1,336</u>	<u>1,065</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<b><u>30,909</u></b>	<b><u>21,185</u></b>	<b><u>9,470</u></b>	<b><u>10,340</u></b>

The Group's trade and other payables increased by approximately 9.2% from approximately RMB9.5 million as at 31 December 2018 to approximately RMB10.3 million as at 30 June 2019, primarily due to the increase in accrued expenses mainly attributable to certain outstanding professional service fees for the Transfer, partially offset by decrease in trade payables.

The Group's trade and other payables decreased by approximately 55.3% from approximately RMB21.2 million as at 31 December 2017 to approximately RMB9.5 million as at 31 December 2018, primarily due to (i) the decrease of advances from customers reclassified to contract liabilities as at 1 January 2018 from the application of IFRS 15, *Revenue from Contracts with Customers and the related Amendments*; and (ii) the decrease in trade payables as a result of partial payment of amounts due to suppliers. As at 31 December 2017, advances from customers amounted to approximately RMB9.1 million.

The Group's trade and other payables decreased by approximately 31.5% from approximately RMB30.9 million as at 31 December 2016 to approximately RMB21.2 million as at 31 December 2017, primarily due to the decrease of advances from customers. Advances from customers represented the amount of payment received from the Group's customers when they signed the sales contracts but before the right to use the burial plots was transferred. The Group's advances from customers decreased during 2017, primarily due to the occurrence of interment of cremains for certain customers under the former sales contracts during that year and the supplemental agreements signed with certain customers to reflect the change following the Group's adoption of the new sales contract in December 2016.

In December 2016, with an aim to be consistent with the local industry practice, the Group tightened its sales policy and strengthened its internal control by adopting a new standardized sales contract. The Group recognizes revenue from the sale of burial plots

when the right to use the burial plots is transferred to the customers, and amortizes the maintenance fees over the term of the customers' right to use the burial plots. Under the new contract, the right to use the burial plot is transferred to the customer when the contract is signed, while under the former contract, the right to use the burial plot is transferred to the customer when the interment of cremains occurs.

### **Contract liabilities**

In prior years, contract liabilities were recorded as deferred income and advances from customers under trade and other payables. Contract liabilities represent the obligations to transfer burial plots and to render cemetery maintenance services in accordance with the revenue recognition policy and the nature of the business. As at 30 June 2019, current contract liabilities of the Group amounted to approximately RMB17.4 million (as at 31 December 2018: approximately RMB9.1 million). The increase in current contract liabilities was mainly due to prepayment of approximately RMB7.5 million received from a customer for the sale of certain columbarium units which were then expected to be delivered in the third quarter of 2019. As at 30 June 2019, non-current contract liabilities of the Group amounted to approximately RMB55.5 million (as at 31 December 2018: approximately RMB52.7 million). The increase in non-current contract liabilities was mainly due to increase in prepayment from the customers.

As at 31 December 2018, current contract liabilities of the Group amounted to approximately RMB9.1 million (as at 31 December 2017 after the adjustments from the application of IFRS 15: approximately RMB12.4 million). The decrease in current contract liabilities was mainly due to recognition of revenue during the year ended 31 December 2018. As at 31 December 2018, non-current contract liabilities of the Group amounted to approximately RMB52.7 million (as at 31 December 2017 after the adjustments from the application of IFRS 15: approximately RMB48.5 million). The increase in non-current contract liabilities was mainly due to new contracts entered into with new customers, resulting in increase in prepayment from customers during the year ended 31 December 2018.

For the summary of effects arising from initial application of IFRS 15 on contract liabilities, please refer to Note 2 to the consolidated financial statements as set out in the annual report of the Company for the year ended 31 December 2018.

### **Deferred income**

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

The Group's deferred income increased by approximately 22.4% from approximately RMB42.3 million as at 31 December 2016 to approximately RMB51.7 million as at 31 December 2017, generally consistent with the increase in burial services provided during the relevant years.

For the summary of effects arising from initial application of IFRS 15 on deferred income, please refer to Note 2 to the consolidated financial statements as set out in the annual report of the Company for the year ended 31 December 2018.

### Key financial ratios

The table below sets forth the Group's key financial ratios as at the dates or for the periods indicated:

	Year ended/As at 31 December			Six months ended/As at 30 June
	2016	2017	2018	2019
Gross profit margin	82.2%	81.9%	84.0%	82.2%
Net profit margin	51.9%	18.4%	65.1%	27.0%
Return on equity	29.4%	8.1%	21.9%	6.1% <sup>Note</sup>
Return on total assets	11.9%	4.1%	12.8%	3.6% <sup>Note</sup>
Current ratio	1.7	2.4	5.2	5.5
Gearing ratio	59.4%	49.8%	41.7%	41.3%
Interest coverage ratio	5.4	N/A	N/A	N/A

*Note:*

*These ratios are annualized by dividing profit and total comprehensive income before non-recurring items (e.g. government grant and foreign exchange loss) for the six months ended 30 June 2019 by 181 and multiplied by 365, then divided by adjusted total assets or shareholders' equity, as applicable.*

### Gross profit margin

Gross profit margin is gross profit divided by revenue for each financial period and multiplied by 100%. The Group's gross profit margin for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019 was approximately 82.2%, 81.9%, 84.0% and 82.2%, respectively. For details of the Group's gross profit margin, see paragraph headed "Gross profit and gross profit margin" above.

### Net profit margin

Net profit margin is profit and total comprehensive income divided by revenue for each financial period and multiplied by 100%. The Group's net profit margin for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019 was approximately 51.9%, 18.4%, 65.1% and 27.0%, respectively. For details of the Group's net profit margin, see paragraph headed "Profit and total comprehensive income for the year/period and net profit margin" above.

## **Return on equity**

Return on equity is profit and total comprehensive income for each financial period divided by shareholders' equity at the end of each financial period and multiplied by 100%. The Group's return on equity decreased from approximately 21.9% in 2018 to approximately 6.1% for the six months ended 30 June 2019, primarily due to the combined effect of decrease in annualized profit and total comprehensive income and increase in adjusted shareholders' equity (as a result of the increase in retained earnings in that period). The Group's return on equity increased from approximately 8.1% in 2017 to approximately 21.9% in 2018, primarily due to the higher rate of increase of profit and total comprehensive income of approximately 296.6%, as compared to that of shareholders' equity of approximately 45.8% (as a result of the increase in retained earnings in that year). The Group's return on equity decreased from 29.4% in 2016 to 8.1% in 2017, primarily due to the combined effect of decrease in profit and total comprehensive income and increase in shareholders' equity in 2017 (as a result of the net proceeds raised from the GEM Listing). The reasons of fluctuations on the profit and total comprehensive income for each financial period during the Track Record Period are set out in the management discussion and analysis on the consolidated statement of profit or loss and other comprehensive income of the Group above.

## **Return on total assets**

Return on total assets is profit and total comprehensive income for each financial period divided by total assets at the end of each financial period and multiplied by 100%. The Group's return on total assets decreased from approximately 12.8% in 2018 to approximately 3.6% for the six months ended 30 June 2019, primarily due to the combined effect of decrease in annualized profit and total comprehensive income and the increase in adjusted total assets. The Group's return on total assets increased from approximately 4.1% in 2017 to approximately 12.8% in 2018, primarily due to the higher rate of increase of profit and total comprehensive income of approximately 296.6%, as compared to that of the total assets of approximately 25.5% (which was primarily due to the increase in bank balances and cash from operating the business and the Disposal in August 2018). The Group's return on total assets decreased from approximately 11.9% in 2016 to approximately 4.1% in 2017, primarily due to the combined effect of decrease in profit and total comprehensive income and increase in total assets in 2017 (which was primarily due to the increase in bank balances and cash as the net proceeds raised from the GEM Listing). The reasons of fluctuations on the profit and total comprehensive income for each financial period during the Track Record Period are set out in the management discussion and analysis on the consolidated statement of profit or loss and other comprehensive income of the Group above.

## **Current ratio**

Current ratio is current assets divided by current liabilities at the end of each financial period. The Group's current ratio was 1.7, 2.4, 5.2 and 5.5 as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. The consecutive increase from 2016 to 2018 was

primarily due to (i) the increase in the Group's bank balances and cash from net cash inflows generated from its operating activities; (ii) the net proceeds of approximately RMB36.4 million from the GEM Listing; and (iii) the cash consideration of RMB76.0 million received from the Group's Disposal in August 2018. The increase from 31 December 2018 to 30 June 2019 was primarily due to the increase in inventories and the settlement of income tax payable, offset by the increase in contract liabilities.

### **Gearing ratio**

Gearing ratio is total liabilities divided by total assets at the end of each financial period multiplied by 100%. The Group's gearing ratio as at 31 December 2016, 2017 and 2018 and 30 June 2019 was approximately 59.4%, 49.8%, 41.7% and 41.3%, respectively. The consecutive decrease in the gearing ratio was mainly driven by the increase in the Group's total assets with the net proceeds raised from the GEM Listing and cash generated from its operations as discussed above.

### **Interest coverage ratio**

Interest coverage ratio is profit before taxation and finance costs divided by finance costs for each financial period. There was no finance costs incurred in 2017, 2018 and the six months ended 30 June 2019, and the Group's interest coverage ratio for 2016 was 5.4.

### **Dividends**

No dividend was paid or proposed during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019.

### **WORKING CAPITAL**

The Directors are of the opinion that, after taking into account current bank balances and cash and the cash generated from the Group's operation, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this announcement.

### **NO MATERIAL ADVERSE CHANGE**

The Directors confirmed that subsequent to 31 December 2018 and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no trends or development which may have a material adverse impact on the Group's business operations or financial performance.

## USE OF PROCEEDS

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 September 2019 and as at the Latest Practicable Date, respectively:

	Proposed use of net proceeds as stated in the Prospectus <sup>Note</sup> RMB'000	Actual use of net proceeds up to 30 September 2019 RMB'000	Unutilized net proceeds as at 30 September 2019 RMB'000	Unutilized net proceeds as at the Latest Practicable Date RMB'000
Strengthening the market position in Langfang	14,559	6,892	7,667	7,627
Expanding business scope of the Group to provide funeral services Tapping further into the burial market in the Jing-Jin-Ji megalopolis & pursuing strategic alliance and acquisition opportunities	9,100	627	8,473	8,320
	<u>12,739</u>	<u>723</u>	<u>12,016</u>	<u>11,856</u>
<b>Total</b>	<b><u>36,398</u></b>	<b><u>8,242</u></b>	<b><u>28,156</u></b>	<b><u>27,803</u></b>

*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 September 2019 and the Latest Practicable Date, the net proceeds of approximately RMB28.2 million and RMB27.8 million, respectively, have not been utilized and are held by the Company in short-term deposits with licensed banks in Hong Kong.

## **Reasons for Deviation from the Original Business Strategies**

### *Strengthening the market position in Langfang*

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 (i) 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 (ii) the lengthy negotiation procedures with certain external services providers for details of service contracts. Further, the Group had also deferred its plan of developing new sectioned burial areas as the Group inclined to devote more efforts in developing the new columbaria in order to cater to the growing demand of the columbarium collective storage services as a result of the redevelopment plan of the local government being actualized phase by phase according to the schedules. The Group is currently refining the implementation details of these plans as set out in the paragraph headed "Expected Timeline for Implementation of the Business Strategies" below.

The Directors are of the view that the Group's competitiveness is established by word of mouth and customers are more inclined to opt for burial services providers who offer high-quality burial services in wide range of burial plot designs across sectioned burial areas featured in landscaped cemeteries and pricing choices, for the memory and respect of the deceased, which is of great importance in the traditional Chinese culture. In addition, according to the F&S Report, motivated by the increasing per capita spending, the death care services in Langfang are expected to maintain an upward trend during 2019 to 2023 as disclosed in the section headed "Industry Overview" in this announcement. Therefore, the Directors believe that by (i) developing new sectioned burial areas, for example, Pine Garden and areas for artistic burial plots, to provide more choices to customers with higher purchasing power; and (ii) acquiring additional machineries, such as waste incinerators, lawn movers and sprinkler trucks, to improve the overall scenery of the cemetery as well as the efficiency of the operation performance, by 2020 as detailed in the paragraph headed "Expected Timeline for Implementation of the Business Strategies" below, would enable the Group to capture the growth in the burial services market as there will be growing demand for death care services during such period.

Coupled with the implementation of the other business strategies, the Group expects that the increasing awareness of the brand "Wan Tong Yuan" elicited by the widespread recognition from the customers would further boost its market position in Langfang.

*Expanding the business scope of the Group to provide funeral services*

Alongside commencement of its funeral services business by end of 2017 as stated in the Prospectus, the Group initially planned to cooperate with the existing Langfang Funeral Parlor operated by the local government to promote its funeral services. While continually refining its plans and implementation details in respect of such cooperation during the second half of 2017, the Group had, in the meantime, shortlisted and visited various potential sites for the construction of its own funeral services center. Unfortunately, agreement was not reached with the landlords due to the nature of the Group's industry.

In early 2018, the Group was aware of the local government's plan to build a new funeral parlor to replace the existing one. Further information of such plan was not released by the local government until late 2018 but with no details of the scope of services to be offered by the new funeral parlor. As the provision of burial and funeral services is highly regulated in the PRC, the Group has made continuous efforts to communicate with the local government so as to minimize any potential conflict or duplication between the services to be provided by the government's new funeral parlor and the funeral services center to be built up by the Group. Such conflict and duplication could pose uncertainties to the Group's mode of operation in the funeral services market. In order to reduce such uncertainties, the Group slowed down the establishment of its own new funeral services center pending more clarity of the government's plan on its new funeral parlor.

In 2019, as the local government had yet to release updates for the concrete timeline and details for the development of the new funeral parlor, the management of the Group believed that the new funeral parlor may not be ready for operation within the next few years, which would not be ideal for the Group to further delay the provision of funeral services until then. As such, the Group decided to move forward and has started looking for a suitable venue for the provision of the funeral services. As at the Latest Practicable Date, the Group has located a parcel of land in Langfang and has been negotiating with the counterparty on the terms to lease it for constructing the Group's own funeral services center. The Group also plans to commence the development planning and design of the center, and it would obtain the approval from the relevant government authorities prior to the development. Currently, the management of the Group expects that the construction of the center to be completed by the end of 2020.

Before that, the Group plans to start marketing its funeral services and lease temporary venues for the early stage of its provision of the relevant services, such as certain areas within the Langfang Funeral Parlor or other suitable venues in Langfang. Meanwhile, the Group also plans to broaden its cooperation with the existing funeral services providers (e.g. shroud stores) and set up customer services spots at their stores to promote the one-stop-shop services integrating funeral and burial services. In addition, after reaching out to more prospective customers and with its well-trained staff in the provision of funeral services, the Group plans to leverage its team and operating

experiences to collaborate with the local government and seek ways to complement the funeral services provided by the new funeral parlor after the commencement of its operation.

*Tapping further into the burial market in the Jing-Jin-Ji megalopolis & pursuing strategic alliance and acquisition opportunities*

Since the GEM 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, the Company hardly found suitable acquisition opportunities to proceed with and at present it is at a preliminary selection stage that no agreement has been entered into as at the Latest Practicable Date, which was primarily due to: (i) concern over the relatively high pricing after the Group had assessed the potential targets by considering a number of factors, among others, the profitability, sustainability, brand name and operating efficiency; and (ii) concern over compliance with the relevant laws and regulations, in particular the legal titles of the land use rights of the cemeteries, so as to ensure a stable development after the acquisition of the potential targets. As at the Latest Practicable Date, under the premises of commercial viability and high standards of regulatory compliance, 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. During the Track Record Period, the Group had been liaising with multiple Beijing-based funeral services providers, including primarily shroud stores and funeral ceremony services providers, and since 2017, the Group had successfully built cooperation and partnership with them, mainly for referring customers and marketing of the Group's cemetery and burial services. For the two years ended 31 December 2018 and the six months ended 30 June 2019, the Group recorded revenue in the amount of approximately RMB0.4 million, RMB1.5 million and RMB2.1 million, respectively, from its cooperation with such Beijing-based funeral services providers, which in turn accounted for approximately 1.03%, 3.55% and 11.16% of the Group's total revenue in relevant year/period. 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 onwards, 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 burial 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 since the current implementation plans as set out in the paragraph headed “Expected Timeline for Implementation of the Business Strategies” below are better aligned with the Group’s development. The Group will continue to pursue its business strategies as disclosed above and intends to use the unutilized proceeds as below:

	<b>For the three months ending 31 December 2019 RMB’000</b>	<b>For the year ending 31 December 2020 RMB’000</b>	<b>Total RMB’000</b>
<b>Strengthening the market position in Langfang</b>			
— upgrading the environment and roads of the cemetery and developing new sectioned burial areas	2,018	4,900	6,918
— acquisition of additional facilities and vehicles	287	462	749
<i>Sub-total</i>	<i>2,305</i>	<i>5,362</i>	<i>7,667</i>
<b>Expanding the business scope of the Group to provide funeral services</b>			
— locating, leasing, designing and constructing premises for the operation of funeral services center and funeral services store in the living community	900	6,323	7,223
— recruiting and training staff for provision of funeral services	250	500	750
— conducting marketing activities for the Group’s funeral services, purchasing vehicles for funeral rituals and other business operation	250	250	500
<i>Sub-total</i>	<i>1,400</i>	<i>7,073</i>	<i>8,473</i>
<b>Tapping further into the burial market in the Jing-Jin-Ji megalopolis &amp; pursuing strategic alliance and acquisition opportunities</b>	<b>2,000</b>	<b>10,016</b>	<b>12,016</b>
<b>Total</b>	<b>5,705</b>	<b>22,451</b>	<b>28,156</b>

### **Expected Timeline for Implementation of the Business Strategies**

The table below sets out the expected timeline for the implementation of the Group’s business strategies and further reasons causing delay in the original business plans as disclosed in the Prospectus.

## Strengthening the Market Position in Langfang

Implementation Plan	Business Progress up to the Latest Practicable Date	Reasons for Delay	Expected Development and Timeline for the Fourth Quarter of 2019	Expected Development and Timeline for the First Half of 2020	Expected Development and Timeline for the Second Half of 2020
(1) Upgrading the environment and roads in the cemetery and developing new sectioned burial areas					
(i) <i>Designing and constructing burial plots</i>					
<ul style="list-style-type: none"> <li>Designing and constructing family graves, tree burial services and flower burial services</li> <li>Constructing sculptures for sea burial services</li> </ul>	<ul style="list-style-type: none"> <li>Designed and constructed the family graves in crypt-style and hill-style</li> <li>Designed sea burial services</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Designing and constructing sculptures for sea burial services, designing wall burials and carrying out relevant construction</li> <li>Designing other burial services and carrying out relevant construction for flower burial, tree burial and other burial services, prefabricated burial plots</li> </ul>	<ul style="list-style-type: none"> <li>Continue to design other services and carrying out construction for flower burial, tree burial and other burial services, prefabricated burial plots</li> <li>Making customized burial plots according to customers' requirements from time to time</li> </ul>	<ul style="list-style-type: none"> <li>Continue to design other burial services and develop burial plots, carrying out relevant construction for flower burial, tree burial and other burial services, and prefabricated burial plots</li> <li>Making customized burial plots according to customers' requirements from time to time</li> </ul>
<ul style="list-style-type: none"> <li>Designed and started providing flower burial and tree burial services</li> </ul>					
Approximate Amount of Proceeds Expected to be Allocated			RMB0.4 million	RMB0.6 million	RMB0.5 million

## Strengthening the Market Position in Langfang (continued)

Implementation Plan	Business Progress up to the Latest Practicable Date	Reasons for Delay	Expected Development and Timeline for the Fourth Quarter of 2019	Expected Development and Timeline for the First Half of 2020	Expected Development and Timeline for the Second Half of 2020
(ii) <i>Upgrading the environment of the sectioned burial areas and roads in the cemetery</i>					
<ul style="list-style-type: none"> <li>Upgrading the main entrance area and roads of cemetery</li> <li>Upgrading the gardening, designing and building the landscape connecting different sectioned burial areas in the cemetery</li> <li>Constructing and polishing an artificial hill in the northern part of the cemetery</li> <li>Building waterscape with Chinese traditional cultural elements</li> <li>Upgrading the monitoring system of the cemetery</li> <li>Designing memorial for the body donors</li> <li>Building a platform to conduct public memorial ceremonies</li> </ul>	<ul style="list-style-type: none"> <li>Upgraded the main entrance area and roads and passages of the western part of the cemetery</li> <li>Completed the gardening and building of the landscape connecting different sectioned burial areas</li> <li>Designed memorial for the body donors</li> <li>Upgrading for the greening appearance of main entrance of the cemetery is underway</li> </ul>	<ul style="list-style-type: none"> <li>Certain upgrades and construction have been completed, the overall design planning and upgrading is underway, and the relevant implementation plans are being refined</li> </ul>	<ul style="list-style-type: none"> <li>Upgrading passages in the northern part of the cemetery</li> <li>Beautifying the surrounding areas of the artificial hill</li> <li>Setting up a cemetery services center</li> <li>Building waterscape with Chinese traditional cultural elements</li> </ul>	<ul style="list-style-type: none"> <li>Building a platform to conduct public memorial ceremonies</li> </ul>	<ul style="list-style-type: none"> <li>Designing and constructing landscaping elements in the cemetery to enhance the cemetery environment</li> </ul>
<b>Approximate Amount of Proceeds Expected to be Allocated</b>			RMB1.0 million	RMB1.0 million	RMB1.0 million

## Strengthening the Market Position in Langfang (continued)

Implementation Plan	Business Progress up to the Latest Practicable Date	Reasons for Delay	Expected Development and Timeline for the Fourth Quarter of 2019	Expected Development and Timeline for the First Half of 2020	Expected Development and Timeline for the Second Half of 2020
(iii) <i>Developing Rose Garden, Langfang Garden and artistic burial areas</i>	<ul style="list-style-type: none"> <li>Renamed Rose Garden to Pine Garden and sectioned more areas in the cemetery for further development of burial plots. The design of Pine Garden had been completed and the construction is in progress. Part of the burial plots in Pine Garden are already launched for sale</li> </ul>	<ul style="list-style-type: none"> <li>The development plan of the Pine Garden and Langfang Garden needs to be adjusted according to the changing market demand as a result of the redevelopment plan carried out by the government and burial plots inventory level of the Group</li> </ul>	<ul style="list-style-type: none"> <li>Continuing the construction of Pine Garden</li> <li>Continue to develop and beautify artistic burial areas including passages</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop and construct Pine Garden with more burial plots available for sale</li> <li>Continue to develop and beautify artistic burial areas</li> </ul>	<ul style="list-style-type: none"> <li>Completing construction of the entire Pine Garden</li> <li>Continue to develop and beautify artistic burial areas</li> <li>Developing Langfang Garden according to the market demand</li> </ul>
Approximate Amount of Proceeds Expected to be Allocated			RMB0.6 million	RMB1.0 million	RMB0.8 million
(2) Acquisition of additional facilities and vehicles					
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Purchased lawn mowers, sprinkler truck, and purchased and installed incinerators</li> </ul>	<ul style="list-style-type: none"> <li>The Group would need to equip the cemetery with additional facilities based on the actual development of the cemetery from time to time</li> </ul>	<ul style="list-style-type: none"> <li>Purchasing new equipment and constructing new facilities, such as electricity system and water wells</li> </ul>	<ul style="list-style-type: none"> <li>Purchasing a vehicle for the daily operation of the cemetery for the development of the cemetery</li> </ul>	<ul style="list-style-type: none"> <li>Purchasing a vehicle for the daily operation of the cemetery and machineries (such as lawn mowers, sprinkler truck) according to the development of the cemetery</li> </ul>
Approximate Amount of Proceeds Expected to be Allocated			RMB0.3 million	RMB0.2 million	RMB0.3 million
Sub-total			RMB2.3 million	RMB2.8 million	RMB2.6 million

## Expanding the Business Scope of the Group to Provide Funeral Services

Implementation Plan	Business Progress up to the Latest Practicable Date	Reasons for Delay	Expected Development and Timeline for the Fourth Quarter of 2019	Expected Development and Timeline for the First Half of 2020	Expected Development and Timeline for the Second Half of 2020
(1) Locating, leasing, designing and constructing premises for the operation of funeral services center and funeral services store in the living community	<ul style="list-style-type: none"> <li>Service sites at Langfang Funeral Parlor have been set up and funeral services specialists have been sent on-site</li> <li>Construction of the funeral hall at the cemetery has been completed and the Group already started providing improved interment ritual services</li> <li>The Group has identified a parcel of land in Langfang as a suitable venue as a funeral services center</li> </ul>	<ul style="list-style-type: none"> <li>The local government announced in February 2018 that it would build a new funeral parlor, and the management of the Group considered that it should take a more prudent approach to pursue this strategy as mentioned in the paragraph headed "Reasons for Deviation from the Original Business Strategies"</li> </ul>	<ul style="list-style-type: none"> <li>Training staff and providing funeral ritual services in the funeral hall at the cemetery</li> <li>Leasing the land parcel, preparing the construction plan and design of the funeral services center</li> <li>Commencing promotion of funeral services</li> </ul>	<ul style="list-style-type: none"> <li>Finalizing the construction plan and design and commencing construction of the funeral services center</li> <li>Selecting suitable venue for the first funeral services store in Langfang or Beijing, or seeking cooperation with local partners to establish a funeral services store</li> <li>Communicating with local government and seeking cooperation opportunities with the new funeral parlor to be established</li> </ul>	<ul style="list-style-type: none"> <li>Completing the construction of the funeral services center</li> <li>Establishing the first funeral services store in Langfang or Beijing, or entering into cooperation with local partners to establish a funeral services store</li> <li>Communicating with local government, seeking cooperation opportunities with the new funeral parlor to be established</li> </ul>
Approximate Amount of Proceeds Expected to be Allocated			RMB0.9 million	RMB6.3 million	—

## Expanding the Business Scope of the Group to Provide Funeral Services (continued)

Implementation Plan	Business Progress up to the Latest Practicable Date	Reasons for Delay	Expected Development and Timeline for the Fourth Quarter of 2019	Expected Development and Timeline for the First Half of 2020	Expected Development and Timeline for the Second Half of 2020
(2) Recruiting and training staff for provision of funeral services	<ul style="list-style-type: none"> <li>Six people including the manager of the funeral services center have been recruited and over 10 people have been provided with training</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Training the staff and providing funeral ritual services in the funeral hall at the cemetery</li> </ul>	<ul style="list-style-type: none"> <li>According to demand from business development, recruiting more staff for funeral services center and newly-established funeral services store</li> </ul>	<ul style="list-style-type: none"> <li>According to demand from business development, recruiting more staff for funeral services center and newly established funeral services store</li> </ul>
Approximate Amount of Proceeds Expected to be Allocated			RMB0.2 million	RMB0.5 million	—
(3) Conducting marketing activities for the Group's funeral services via mass media (such as newspapers)	<ul style="list-style-type: none"> <li>A funeral vehicle and two electric vehicles have been purchased</li> <li>Media promotion for the funeral services center has not been carried out yet</li> </ul>	<ul style="list-style-type: none"> <li>Due to the delay of the implementation plan for the funeral services center, the corresponding media promotion has been also delayed</li> </ul>	<ul style="list-style-type: none"> <li>Purchasing additional vehicle for the funeral services</li> </ul>	<ul style="list-style-type: none"> <li>Promoting the funeral services center via mass media</li> </ul>	<ul style="list-style-type: none"> <li>Purchasing additional vehicle for business operation</li> <li>Expanding cooperation with those Beijing-based funeral services providers and mortuaries, and carrying out marketing activities</li> </ul>
Approximate Amount of Proceeds Expected to be Allocated			RMB0.3 million	RMB0.3 million	—
Sub-total			RMB1.4 million	RMB7.1 million	—

## Tapping Further into the Burial Market in the Jing-Jin-Ji Megalopolis & Pursuing Strategic Alliance and Acquisition Opportunities

Implementation Plan	Business Progress up to the Latest Practicable Date	Reasons for Delay	Expected Development and Timeline for the Fourth Quarter of 2019	Expected Development and Timeline for the First Half of 2020	Expected Development and Timeline for the Second Half of 2020
(1) Liaising and cooperating with more Beijing-based funeral services providers and mortuaries	<ul style="list-style-type: none"> <li>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</li> <li>The Group is also negotiating with other potential partners</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Expanding cooperation with those Beijing-based funeral services providers and mortuaries</li> <li>Carrying out marketing activities, including sales referrals and giving out leaflets to increase brand awareness in Beijing</li> </ul>	<ul style="list-style-type: none"> <li>Leveraging the Group's first store in Beijing to extend cooperation with funeral services providers in other cities in the Jing-Jin-Ji megalopolis</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop the Group's brand through its network with other funeral services providers in the Jing-Jin-Ji megalopolis</li> </ul>
Approximate Amount of Proceeds Expected to be Allocated			RMB0.2 million	RMB0.4 million	—
(2) Establishing the first Beijing-based store for marketing purpose	<ul style="list-style-type: none"> <li>Not set up yet</li> <li>The Group plans to develop its funeral services in the fourth quarter of 2019, the Group would resume the plan to set up the store for marketing in Beijing in the fourth quarter of 2019</li> </ul>	<ul style="list-style-type: none"> <li>Site selection is affected by a variety of factors, and the Group has not identified a suitable venue. Due to the temporary delay in the development of funeral services of the Group, to self-operate such store for marketing is not as cost-effective as the Group's previous estimates</li> </ul>	<ul style="list-style-type: none"> <li>Seeking suitable site in Beijing for setting up store for marketing funeral services and burial services</li> </ul>	<ul style="list-style-type: none"> <li>Setting up the first store of the Group in Beijing for marketing, together with promotion on the Group's digital marketing channel</li> </ul>	<ul style="list-style-type: none"> <li>Continue to seek suitable sites in Beijing and expand to other cities in the Jing-Jin-Ji megalopolis for setting up more stores for promoting the Group's brand and services</li> </ul>
Approximate Amount of Proceeds Expected to be Allocated			RMB0.3 million	RMB1.0 million	—
(3) Selecting potential targets for acquisition and conducting acquisition	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Due to concerns over the relatively high pricing and regulatory compliance of certain targets, the Group found few suitable acquisition opportunities to proceed</li> </ul>	<ul style="list-style-type: none"> <li>Seeking suitable strategic alliances and acquisition opportunities proactively, and entering into framework agreements or acquisition agreements in the fourth quarter of 2019 if there is suitable targets</li> </ul>	<ul style="list-style-type: none"> <li>Seeking suitable strategic alliances and acquisition opportunities proactively, and entering into framework agreements or acquisition agreements in the first half of 2020 if there is suitable targets</li> </ul>	<ul style="list-style-type: none"> <li>Seeking suitable strategic alliances and acquisition opportunities proactively, completing such acquisition, forming strategic alliance with suitable partners, and making relevant investment into the cooperation</li> </ul>
Approximate Amount of Proceeds Expected to be Allocated			RMB1.5 million	RMB8.6 million	—
Sub-total			RMB2.0 million	RMB10.0 million	—

## COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or Controlling Shareholders or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rules 8.10(1) and 8.10(2) of the Main Board Listing Rules.

As the terms of the deed of non-competition (the “**Original Non-competition Deed**”) entered into by the Controlling Shareholders on 7 September 2017 have made several references to the GEM Listing Rules, in connection with the Transfer, a deed of amendment supplemental to the Original Non-competition Deed (the “**Amendment Deed**”) was executed by the Controlling Shareholders on 5 December 2019 so that the Original Non-competition Deed shall, where the context so requires, be read and construed throughout so as to incorporate the amendments and supplements made by the Amendment Deed and as a result, any references to the GEM Listing Rules in the Original Non-competition Deed shall be amended as references to the Main Board Listing Rules. The Amendment Deed will take effect from the date on which the Transfer becomes effective. Save for the aforesaid amendments, all the provisions of the Original Non-competition Deed (as amended and supplemented by the Amendment Deed) shall continue to be in full force and effect and be operative and binding on the Controlling Shareholders. For details of the terms of the Original Non-competition Deed, please refer to the Prospectus.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical information of each current Director as at the date of this announcement is as follows:

### Non-executive Director and Chairman

**Ms. ZHAO Ying (趙穎)**, aged 49, joined the Group in January 2017 and was further designated as a non-executive Director in March 2017. Ms. Zhao has been serving as a director of Wan Tong (HK) Company Limited, a wholly-owned subsidiary of the Company, since January 2017.

Ms. Zhao has been serving as a director of Langfang City Property Development Co., Ltd. (廊坊市城區房地產開發有限公司) since February 2008 and a non-executive director of China VAST Industrial Urban Development Company Limited (中國宏泰產業市鎮發展有限公司, a company listed on the Stock Exchange with stock code 6166) since February 2014.

### Executive Directors

**Ms. LI Xingying (李興穎, “Ms. Li”)**, aged 40, was appointed as an executive Director in March 2017. Ms. Li has 16 years of experience in burial services industry. Ms. Li joined the Group in November 2007. She has been serving as the legal representative and

director of Langfang City Wantong Funeral Services Co., Ltd. (廊坊市萬桐殯葬服務有限公司), a wholly-owned subsidiary of the Company, and Wangtongyuan Investment since March 2017. She also has been serving as an executive director of Langfang Wantong since May 2015.

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

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

**Mr. HUANG Guangming (黃廣明, "Mr. Huang")**, aged 45, was appointed as an executive Director in March 2017. Mr. Huang has more than seven years of experience in burial services industry. Mr. Huang rejoined the Group as a deputy general manager of Langfang Wantong in September 2013. Mr. Huang served as the human resources manager of Langfang City Property Development Co., Ltd. (廊坊市城區房地產開發有限公司) from June 2004 to November 2007, the deputy general manager of Langfang Wantong from November 2007 to June 2010 and the general manager of Chengde Yonglun Real Estate Development Co., Ltd. (承德永倫房地產開發有限公司) from June 2010 to September 2013. From time to time, Mr. Huang supervised the operation of the purchasing center of Langfang City Property Development Co., Ltd. (廊坊市城區房地產開發有限公司) during September 2013 and March 2017, which was a part-time position only.

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

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

**Mr. CHEUNG Ying Kwan (張應坤, "Mr. Cheung")**, aged 59, was appointed as an independent non-executive Director in September 2017. Mr. Cheung has more than 20 years of experience in finance and accounting. Mr. Cheung has been the company secretary of China Metal Resources Utilization Limited (中國金屬資源利用有限公司, a company listed on the Stock Exchange with stock code 1636) since February 2014. Mr. Cheung served as the financial controller of Gushan Environmental Energy Limited (古杉環保能源有限公司) from March 2006 to August 2013, the qualified accountant and

company secretary of Goldigit Atom-tech Holdings Limited (金澤超分子科技控股有限公司) (currently known as Jinchuan Group International Resources Co. Ltd. (金川集團國際資源有限公司), a company listed on the Stock Exchange with stock code 2362) from April 2001 to March 2006, an independent non-executive director of Beijing Chunlizhengda Medical Instruments Co., Ltd. (北京市春立正達醫療器械股份有限公司, a company listed on the Stock Exchange with stock code 1858) from March 2015 to March 2018, an independent non-executive director of ZACD Group Ltd (a company listed on the Stock Exchange with stock code 8313) from December 2017 to January 2019 and an independent non-executive director of Gold-Finance Holdings Limited (金誠控股有限公司, a company listed on the Stock Exchange with stock code 1462) from February 2016 to May 2019.

Mr. Cheung has been an independent non-executive director of Tian Shan Development (Holding) Limited (天山發展(控股)有限公司, a company listed on the Stock Exchange with stock code 2118) since June 2010.

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

**Dr. WONG Wing Kuen, Albert (王永權, “Dr. Wong”)**, aged 68, was appointed as an independent non-executive Director, the chairman of audit committee and the chairman of remuneration committee in September 2017. Dr. Wong has approximately 24 years of experience in accounting. Dr. Wong has a broad range of experience serving as an independent non-executive director of various listed companies, including China VAST Industrial Urban Development Company Limited (中國宏泰產業市鎮發展有限公司, a company listed on the Stock Exchange with stock code 6166) since August 2014, APAC Resources Limited (亞太資源有限公司, a company listed on the Stock Exchange with stock code 1104) since July 2004, Solargiga Energy Holdings Limited (陽光能源控股有限公司, a company listed on the Stock Exchange with stock code 757) since January 2008, China Merchants Land Limited (招商局置地有限公司, a company listed on the Stock Exchange with stock code 978) since June 2012, Capital Finance Holdings Limited (首都金融控股有限公司, a company listed on the Stock Exchange with stock code 8239) since January 2018, China Medial & HealthCare Group Limited (中國醫療網絡有限公司, a company listed on the Stock Exchange with stock code 383) since December 2018, and Dexin China Holdings Company Limited (德信中國控股有限公司, a company listed on the Stock Exchange with stock code 2019) since January 2019. He served as a principal consultant of KND & Co. CPA Limited (冠達會計師事務所有限公司) from April 1994 to December 2017. Dr. Wong has been appointed as a principal consultant of KND Associates CPA Limited, Hong Kong (冠泓會計師行有限公司) since January 2018.

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

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

Notwithstanding Dr. Wong's engagement as an independent non-executive director of another seven companies listed on the Stock Exchange, Dr. Wong confirmed that he would devote sufficient time to act as the independent non-executive Director based on the following:

- Dr. Wong is neither a full time member of the above-named companies nor involved in the day-to-day operations or management of such companies. As such, he has no executive and management responsibility therein;
- Dr. Wong is primarily required to attend relevant board meetings, committee meetings and shareholders' meetings of the above-named listed companies. He has maintained a high attendance rate for board meetings, committee meetings and shareholders' meetings for such listed companies during the respective latest financial periods since his appointment dates;
- Dr. Wong's role as a principal consultant of KND Associates CPA Limited is on a part-time basis and he does not involve in the daily management of KND Associates CPA Limited;
- with his background and experience, Dr. Wong is fully aware of the responsibilities and expected time involvements for independent non-executive director. He has not found difficulties in devoting to and managing his time with numerous companies and he is confident that with his experience in being responsible for several roles, he will be able to discharge his duties to the Company;
- none of the above-named listed companies that he has directorship with has questioned or complained about his time devoted to such companies; and
- Dr. Wong's role in the Group is non-executive in nature and he will not be involved in the daily management of the Group's business, thus his engagement as the independent non-executive Director will not require his full-time participation.

Based on the foregoing, the Directors do not have reasons to believe that the various positions currently held by Dr. Wong will result in Dr. Wong not having sufficient time to act as the independent non-executive Director or not properly discharging his fiduciary duties as a director of the Company.

**Mr. CHOI Hon Keung, Simon (蔡漢強, “Mr. Choi”)**, aged 59, was appointed as an independent non-executive director in September 2017. Mr. Choi has more than seven years of experience in corporate governance. Mr. Choi served as an independent non-executive director of Kenford Group Holdings Limited (建福集團控股有限公司, a company listed on the Stock Exchange with stock code 464) from August 2011 to September 2017, and an independent non-executive director of Boyaa Interactive International Limited (博雅互動國際有限公司, a company listed on the Stock Exchange with stock code 434) since October 2013.

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

Save as disclosed above, as at the date of this announcement, each of the Directors (i) has not held any directorships in any other listed companies in Hong Kong or overseas in the last three years; and (ii) does not have any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed pursuant to Part XV of the SFO. Each of the Directors has no relationships with any other Directors, members of senior management or substantial shareholders of the Company.

Save as disclosed above, there is no other information in relation to each of the Directors which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

### **Board Diversity Policy**

In order to enhance the quality of its performance and to maintain the high standard of corporate governance, the Company has adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out measurable objectives to achieve diversity of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve board diversity (including gender diversity) through the consideration of various factors such as skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. All board appointments will be based on meritocracy, and candidates will be considered against the above objective criteria, having due regard to the benefits of diversity on the board. The nomination committee of the Board (the “**Nomination Committee**”) is responsible for monitoring the implementation of the Board Diversity Policy and reviewing the same from time to time to ensure its continued effectiveness. After the Transfer, the Nomination Committee will continue to review the Board Diversity Policy from time to time to ensure its continued effectiveness, and the Company will disclose in its corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

As at the date of this announcement, the Board comprises six directors, including one non-executive Director, two executive Directors and three independent non-executive Directors. The Directors have a balanced mix of experiences, including overall management, strategic development, and finance and accounting experiences, signify a fair representation of gender mix, and are diverse in age. After due consideration, the Board believes that based on the meritocracy of the Directors, the composition of the Board satisfies the Board Diversity Policy.

## SENIOR MANAGEMENT

The biographical information of each current member of senior management of the Company as at the date of this announcement is as follows:

**Mr. YU Minghua (余明華, “Mr. Yu”)**, aged 41, joined the Group in February 2016. Mr. Yu is currently the chief executive officer of the Company and a deputy general manager of Langfang Wantong, being responsible for product development and business expansion of the Group. He has also been serving as the general manager of Wangtongyuan Investment since March 2017, being responsible for general operation and management of the company.

Mr. Yu has more than four years of experience in burial and funeral services industry. Prior to joining the Group, Mr. Yu served as the deputy general manager of Guangxi Huazuyuan Investment Co., Ltd. (廣西華祖園投資有限公司) from May 2013 to September 2014 and a deputy project general manager of Puyang Hualong District Longxiang Cemetery Park Co., Ltd. (濮陽市華龍區龍鄉陵園有限公司) from March 2010 to February 2011.

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

As at the date of this announcement, Mr. Yu does not have any interest or short position in any Shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed pursuant to Part XV of the SFO.

**Mr. LIU Fengxue (劉鳳學, “Mr. Liu”)**, aged 38, joined the Group in November 2007. Mr. Liu is currently the vice president of general administration of the Company and a deputy general manager of Langfang Wantong, being responsible for the daily operation and general management of the Group. Mr. Liu has more than 16 years of experience in logistical and corporate support. After joining the Group, Mr. Liu served as the head of security in Langfang Wantong from November 2007 to June 2016, and he was promoted as the head of logistical support department and deputy general manager of Langfang Wantong in July 2010 and June 2016, respectively. Prior to joining the Group, Mr. Liu served as the head of security team of Lanshuiwan Property Management (藍水灣物業) of Langfang City Hengtai Services Co., Ltd. (廊坊市恒泰服務有限公司) from November 2002 to November 2007.

**Mr. CHU Yunli (褚雲利, “Mr. Chu”)**, aged 47, joined the Group in November 2007. Mr. Chu is currently the financial controller of the Company, being responsible for the overall management of financial reporting and cost management of the Group. Mr. Chu has been the financial controller at Langfang Wantong since he joined the Group. Mr. Chu has ten years of experience in corporate finance.

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

**Ms. GAO Ping (高萍, “Ms. Gao”)**, aged 37, joined the Group in November 2007 and has more than 15 years of experience in customer services and marketing. Ms. Gao is currently the vice president of marketing of the Company and has been the marketing manager of Langfang Wantong since its establishment, being responsible for the overall management of the marketing department of the Group. She has also been a supervisor of Wangtongyuan Investment since March 2017, being responsible for monitoring and overseeing the company’s financial matters and supervising the conduct of the board of directors and senior management.

Prior to joining the Group, Ms. Gao served as the sales executive of Wan Tong Yuan from October 2005 to November 2007 and the marketing manager of Langfang Economic and Technological Development Area Yongsheng Real Estates Development Co., Ltd. (廊坊開發區永升房地產開發有限公司) from November 2003 to October 2005.

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

**Mr. TANG Chun Man Adam (鄧峻文, “Mr. Tang”)**, aged 32, was appointed as the chief financial officer and company secretary of the Company in February 2019, being responsible for the overall financial management of the Group and advising the Board on corporate governance matters. Mr. Tang has extensive experience in auditing, financial planning and analysis and accounting.

Mr. Tang holds a bachelor’s degree in Professional Accountancy from The Chinese University of Hong Kong. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, as at the date of this announcement, each of the members of senior management of the Company has not held any directorships in any other listed companies in Hong Kong or overseas in the last three years. Each of the members of senior management of the Company has no relationships with any other Directors, members of senior management or substantial shareholders of the Company.

As disclosed in the announcement of the Company dated 21 February 2019, Mr. Lam Koon Fai (林冠輝, “**Mr. Lam**”), the former chief financial officer and company secretary of the Company, resigned with effect from 21 February 2019, as he wishes to pursue his personal career development and concentrate on his own business engagement. Upon his resignation, Mr. Lam confirmed to the Board that he had no disagreement with the Board. Save for the resignation of Mr. Lam, none of the senior management of the Company had resigned since its GEM Listing and up to the date of this announcement.

Save as disclosed above, there is no other information in relation to each of the members of senior management of the Company which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

## **EMPLOYEES**

As at the Latest Practicable Date, the breakdown of the Group’s employees by principal functions is set out below:

<b>Function</b>	<b>As at the Latest Practicable Date</b>
Management	5
Finance and accounting	4
Cemetery monitoring	10
Security	10
Sales and marketing	8
Cleaning	9
Procurement	3
Others	10
<b>Total</b>	<b>59</b>

## **CONTROLLING SHAREHOLDERS**

As at the date of this announcement, Tai Shing International is interested in 700,000,000 Shares (representing 70% of the entire issued share capital of the Company). Lily Charm holds 100% of entire issued share capital of Tai Shing International, thus Lily Charm is deemed to be interested in the 700,000,000 Shares held by Tai Shing International under the SFO. Lily Charm is wholly owned by TMF (Cayman) Ltd. on trust for the Family Trust. Ms. Zhao, as the sole settlor and sole member of the Family Trust’s protective committee, established the Family Trust, which is an irrevocable discretionary trust with TMF (Cayman) Ltd. as the trustee for the benefit of Ms. Zhao and her issue. As such, Tai Shing International, Lily Charm, the Family Trust and Ms. Zhao, being the Controlling Shareholders, together control 70% of the entire issued share capital of the Company.

## **FINANCIAL INDEPENDENCE**

The Group has an independent financial system and makes financial decisions according to its own business needs. There is no financial assistance, guarantee and/or security provided by the Controlling Shareholders and their respective associates to the Group since the GEM Listing and up to the date of this announcement. The Directors believe that the Company is capable of obtaining financing from third parties without reliance on the Controlling Shareholders.

## **WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE MAIN BOARD LISTING RULES**

The Company has sought a waiver from strict compliance with Rule 8.12 of the Main Board Listing Rules in relation to the Transfer.

Pursuant to Rule 8.12 of the Main Board Listing Rules, a new applicant for primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

The Group applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12 of the Main Board Listing Rules and the Stock Exchange has granted a waiver from strict compliance with Rule 8.12 of the Main Board Listing Rules based on the following reasons and grounds:

1. the Group's principal business, major assets and operations are primarily located in the PRC;
2. most of the members of the Group's senior management are, and expect to continue to be, based primarily in the PRC;
3. in order to comply strictly with the requirements under Rule 8.12 of the Main Board Listing Rules, the Company would have to appoint at least two additional executive Directors or relocate the two executive Directors to Hong Kong. The Directors consider that it would be practically difficult and not commercially feasible for the Company to implement such arrangement, and it is not in the best interests of the Company and the Shareholders as a whole (i) to incur extra administrative expenses for the additional appointment or (ii) to reduce the Company's management efficiency by relocating the executive Directors to Hong Kong that is not where the Company's principal place of operation is located. Furthermore, if the executive Directors are not able to be physically present at the location where the Group's daily operations and management take place, they may not be able to fully and/or promptly understand the daily business operation of the Group nor appreciate the circumstances affecting the business operations and development of the Group from

time to time. As a result, such arrangement may adversely affect the executive Directors' ability to make their business judgement on a fully informed basis and in the interest of the operation and development of the Group; and

4. the Company does not have, nor does it expect that in the foreseeable future that the Company will have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Main Board Listing Rules.

The following measures will continue to be implemented to maintain regular and effective communication with the Stock Exchange:

1. the Company has appointed two authorized representatives, namely Mr. Tang and Ms. Li, pursuant to Rule 3.05 of the Main Board Listing Rules who will act as the Company's principal communication channel with the Stock Exchange. Mr. Tang is the chief financial officer and company secretary of the Company. He is ordinarily resident in Hong Kong and will accept service of processes and notices in Hong Kong for and on behalf of the Company, and Ms. Li is an executive Director. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or e-mail. Each of the authorized representatives has been duly authorized to communicate on behalf of the Company with the Stock Exchange. The Company will inform the Stock Exchange promptly in respect of any change in its authorized representatives;
2. both authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matter. To enhance communication between the Stock Exchange and the authorized representatives or the Directors, all the Directors have provided his or her mobile phone number, office phone number, e-mail address and, where available, fax number to the Stock Exchange and will inform the Stock Exchange promptly if there are any changes to the contact details of the Directors;
3. all Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange in Hong Kong upon reasonable notice;
4. each Director has confirmed that in the event that he or she expects to travel or be out of office, he or she will provide the phone number of the place of his or her accommodation or other means of communication to the Company's authorized representatives; and
5. in compliance with Rule 6A.19 of the GEM Listing Rules and Rule 9A.13 of the Main Board Listing Rules, the Company has appointed Innovax Capital Limited as its compliance adviser to provide the Company with advices on its obligations in

relation to the compliance with the GEM Listing Rules (and the Main Board Listing Rules upon the Transfer), all other applicable laws, rules, codes and guidelines. The compliance adviser will act as an additional channel of communication with the Stock Exchange.

In light of the above arrangement, the Company believes that all members of the Board can be promptly informed of any matters raised by the Stock Exchange and that there is an effective communication channel with the Stock Exchange.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents will be made available for viewing on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk), the GEM website at [www.hkgem.com](http://www.hkgem.com) and the Company's website at [www.lfwt.com](http://www.lfwt.com):

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Directors' report and the annual report of the Company for the financial year ended 31 December 2018;
- (c) the third quarterly report of the Company for the nine months ended 30 September 2019;
- (d) the interim report of the Company for the six months ended 30 June 2019;
- (e) the circular of the Company dated 28 March 2018, in relation to general mandates to issue and repurchase shares, re-election of directors and notice of general meeting;
- (f) the circular of the Company dated 24 September 2018 with respect to major transaction in relation to disposal of shares of a company;
- (g) the circular of the Company dated 6 June 2019, in relation to general mandates to issue and repurchase shares, re-election of directors and notice of general meeting; and
- (h) each of the announcements and other corporate communications made by the Company as required under the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

- |                           |  |
|---------------------------|--|
| “Articles of Association” | the articles of association of the Company adopted by special resolution passed on 7 September 2017 and as amended from time to time |
| “associate(s)”            | has the meaning ascribed to it under the Listing Rules   |

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operation procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“Chairman”	the chairman of the Board, Ms. Zhao
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	China Wan Tong Yuan (Holdings) Limited (中國萬桐園(控股)有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 25 January 2017, the issued Shares of which are currently listed on GEM
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules and in the context of the Company and for the purpose of this announcement, means Tai Shing International, Lily Charm, the Family Trust and Ms. Zhao
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“F&S Report”	the market research report commissioned by the Group and prepared by Frost & Sullivan
“Family Trust”	The Hope Trust, an irrevocable discretionary trust settled by Ms. Zhao as the settlor pursuant to a trust deed dated 22 August 2017 in respect of the shares in Tai Shing International, and the trustee of The Hope Trust is TMF (Cayman) Ltd.
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research agency

“FVTPL”	fair value through profit or loss
“GEM”	GEM operated by the Stock Exchange
“GEM Listing”	the listing of Shares on GEM since 27 September 2017
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“independent third party(ies)”	party(ies) independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Jing-Jin-Ji megalopolis”	the national capital region of China and the biggest urbanized region in northern China which includes an economic region surrounding Beijing (Jing), Tianjin (Jin) and Hebei province (Ji)
“Langfang Wantong”	Langfang Wantong Cemetery Co., Ltd. (廊坊市萬桐公墓有限公司), a limited liability company established in the PRC on 26 November 2007 and an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	30 November 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement
“Listing Rules”	collectively, the Main Board Listing Rules and the GEM Listing Rules

“Lily Charm”	Lily Charm Holding Limited, a limited liability company incorporated in the BVI, which is one of the Controlling Shareholders and wholly owned by TMF (Cayman) Ltd. as the trustee of the Family Trust
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM, and for the avoidance of doubt, it does not include GEM for the purpose hereof
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Main Board
“Memorandum of Association”	the memorandum of association of the Company adopted by special resolution passed on 7 September 2017 and as amended from time to time
“Ms. Zhao”	Ms. Zhao Ying (趙穎), a Controlling Shareholder and non-executive Director
“Prospectus”	the prospectus of the Company dated 14 September 2017
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) of par value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Tai Shing International”	Tai Shing International Investment Company Limited, a limited liability company incorporated in the BVI on 1 February 2017, one of the Controlling Shareholders
“Track Record Period”	the three years ended 31 December 2018 and the six months ended 30 June 2019

“Transfer”	the transfer of listing of the Shares from GEM to the Main Board
“Wan Tong Yuan”	the cemetery operated by Langfang Wantong
“Wangtongyuan Investment”	Langfang Wangtongyuan Corporate Investment Co., Ltd. (廊坊萬桐園企業投資有限公司), formerly known as Langfang Wangtongyuan Corporate Management Co., Ltd. (廊坊萬桐園企業管理有限公司), a wholly foreign owned enterprise established in the PRC on 2 March 2017, and an indirect wholly-owned subsidiary of the Company
“%”	percent

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

Hong Kong, 9 December 2019

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and will also be published on the “Latest Listed Company Information” page of the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company’s website at [www.lfwty.com](http://www.lfwty.com).*