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CHINA WAN TONG YUAN (HOLDINGS) LIMITED
中國萬桐園（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8199)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Director(s)”) of China Wan Tong Yuan (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particular given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will be available on the Company’s website <http://www.lfwt.com> and will remain on the “Latest Company Announcements” page on the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting.

The board of directors (the “Board”) of the Company hereby presents the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

FINANCIAL HIGHLIGHTS

- The revenue of the Group amounted to approximately RMB38,617,000 for the year ended 31 December 2017 (2016: RMB31,179,000) which represented an increase of RMB7,438,000 or 23.9% as compared with the year of 2016.
- The profit attributable to owners of the Company was RMB7,123,000 for the year ended 31 December 2017 (2016: RMB16,193,000), which represented a decrease of RMB9,070,000 or 56.0% as compared with the year of 2016.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

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

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	38,617	31,179
Cost of sales and services		<u>(7,000)</u>	<u>(5,545)</u>
Gross profit		31,617	25,634
Other income	5	4,418	7,620
Other losses	5A	(395)	—
Gain on fair value change of investment properties		140	140
Distribution and selling expenses		(4,641)	(3,744)
Administrative expenses		(3,247)	(2,749)
Initial public offering expenses		(13,997)	(1,429)
Finance costs		<u>—</u>	<u>(4,756)</u>
Profit before taxation	6	13,895	20,716
Income tax expense	7	<u>(6,772)</u>	<u>(4,523)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>7,123</u>	<u>16,193</u>
Earnings per share			
Basic (RMB)	8	<u>0.009</u>	<u>0.022</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

		At 31 December	
	<i>NOTES</i>	2017	2016
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property and equipment		2,631	2,438
Investment properties		5,410	5,270
Cemetery assets	10	9,092	6,761
Available-for-sale investments		<u>71,300</u>	<u>53,000</u>
		<u>88,433</u>	<u>67,469</u>
CURRENT ASSETS			
Inventories		3,537	5,501
Prepayments and other receivables	11	312	5,747
Amounts due from related parties		2,058	—
Bank balances and cash		<u>81,720</u>	<u>57,091</u>
		<u>87,627</u>	<u>68,339</u>
CURRENT LIABILITIES			
Trade and other payables	12	21,185	30,909
Amount due to a related party		752	—
Deferred income	13	3,220	2,962
Income tax payable		<u>11,679</u>	<u>7,419</u>
		<u>36,836</u>	<u>41,290</u>
NET CURRENT ASSETS		<u>50,791</u>	<u>27,049</u>
TOTAL ASSETS			
LESS CURRENT LIABILITIES		<u>139,224</u>	<u>94,518</u>
NON-CURRENT LIABILITIES			
Deferred income	13	48,487	39,295
Deferred tax liabilities		<u>2,310</u>	<u>75</u>
		<u>50,797</u>	<u>39,370</u>
NET ASSETS		<u><u>88,427</u></u>	<u><u>55,148</u></u>

	At 31 December	
	2017	2016
<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
CAPITAL AND RESERVES		
Share capital	66,192	32,000
Reserves	22,235	23,148
	<hr/>	<hr/>
Equity attributable to owners of the Company	88,427	55,148
	<hr/>	<hr/>
TOTAL EQUITY	88,427	55,148
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 1 January 2016	32,000	—	696	—	6,259	38,955
Profit and other comprehensive income for the year	—	—	—	—	16,193	16,193
Transfer to reserves	—	—	1,619	—	(1,619)	—
At 31 December 2016	32,000	—	2,315	—	20,833	55,148
Profit and total comprehensive income for the year	—	—	—	—	7,123	7,123
Issue of share capital of the Company	1	—	—	—	—	1
Issue of new shares to the public	16,548	42,760	—	—	—	59,308
Transaction costs attributable to issue of new ordinary shares	—	(7,485)	—	—	—	(7,485)
Capitalisation issue of shares	49,643	(35,275)	—	(5,023)	(9,345)	—
Transfer to reserves	—	—	1,728	—	(1,728)	—
Deemed distribution (<i>note a</i>)	(32,000)	—	—	(23,500)	—	(55,500)
Wavier of debt owed to Mr. Wang Jingjun (<i>note b</i>)	—	—	—	32,500	—	32,500
Tax charge on the wavier from Mr. Wang Jianjun (<i>note b</i>)	—	—	—	(8,125)	—	(8,125)
Wavier of debt owed to Ms. Zhao Ying (<i>note b</i>)	—	—	—	5,457	—	5,457
At 31 December 2017	66,192	—	4,043	1,309	16,883	88,427

Notes:

- (a) During the year ended 31 December 2017, as part of the Reorganisation (as defined in note 2), Langfang Wantongyuan Corporation Management Co., Ltd. (“Wantongyuan Management”, a subsidiary of the Company entered into an acquisition agreement to acquire the entire equity interest in Langfang Wantong Cemetery Co., Ltd. (“Langfang Wantong”) from the original shareholders of Langfang Wantong for a cash consideration of RMB55,500,000 which was accounted for as a deemed distribution.

- (b) On 30 August 2017, Mr. Wang Jianjun, the husband of Ms. Zhao Ying who is the ultimate controlling shareholder of the Company (see note 1), agreed to waive an amount of RMB32,500,000 payable to him by the Group which was accounted for as a deemed contribution to the Group. This deemed contribution is subject to a tax charge of approximately RMB8,125,000. On 7 September 2017, Ms. Zhao Ying agreed to waive the amounts of RMB5,023,000 and RMB434,000 payable to her by the Company and Wantong (HK) Company Limited (“Wantong HK”, a subsidiary of the Company) respectively, which were accounted for as deemed contributions to the Group. As the Company is incorporated in Cayman Islands and Wantong HK is incorporated in Hong Kong, the Group is not subject to tax on the waiver of the aforesaid payable to Ms. Zhao Ying.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated and registered in the Cayman Islands on 25 January 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprises Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 27 September 2017. The address of the registered office of the Company is 2nd Floor, the Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands. The address of its principal place of business is Baganqu North, Economic and Technological Development Area, Langfang, Hebei, the People’s Republic of China (the “PRC”). The principal activity of the Company is investment holding. Its subsidiaries are primarily engaged in the sale of burial plots, provision of other burial-related services and provision of cemetery maintenance services.

The ultimate holding company and immediate holding company of the Company is Tai Shing International Investment Company Limited (“Tai Shing International”), a company which was incorporated in the British Virgin Islands (the “BVI”) and is ultimately controlled by Ms. Zhao Ying (the “Ultimate Controlling Shareholder”).

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

2. BASIS OF PRESENTATION

The Reorganisation

Historically, during the current and prior years and before and after the group reorganisation (the “Reorganisation”), Langfang Wantong, the operating subsidiary of the Group, is controlled by the Ultimate Controlling Shareholder.

In preparation for the listing of the Company’s shares on the GEM of the Stock Exchange (the “Listing”), the companies now comprising the Group underwent the Reorganisation as described below.

- (i) On 18 January 2017, Wantong HK was incorporated in Hong Kong. One share was allotted and issued to the initial subscriber, an independent third party, and then transferred to the Ultimate Controlling Shareholder on 25 January 2017.
- (ii) On 25 January 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of United States Dollar (“US\$”)500, consisting of 50,000 ordinary shares of US\$0.01 each. One share was allotted and issued to the initial subscriber, an independent third party, and then transferred to Tai Shing International on 1 February 2017. On 1 February 2017, the Company issued and allotted an additional 9,999 ordinary shares, credited as fully paid, to Tai Shing International at par value.

- (iii) On 27 January 2017, Shing Sheng International Limited (“Shing Sheng International”) was incorporated in the BVI as a wholly owned subsidiary of the Company. On 2 February 2017, Ms. Zhao Ying transferred her entire equity interests in Wantong HK to Shing Sheng International at consideration of Hong Kong Dollar (“HK\$”)1. Accordingly, Wantong HK became the wholly owned subsidiary of Shing Sheng International on 2 February 2017.
- (iv) On 1 February 2017, Tai Shing International was incorporated by Ms. Zhao Ying in the BVI.
- (v) On 2 March 2017, Wantongyuan Management was established as a wholly-owned subsidiary of Wantong HK.
- (vi) On 14 March 2017, Wantongyuan Management acquired the entire equity interest in Langfang Wantong from its equity shareholders with an aggregated cash consideration of RMB55,500,000. Accordingly, Langfang Wantong became the wholly owned subsidiary of Wantongyuan Management.
- (vii) On 18 August 2017, Mr. Wang Jianjun, the husband of Ms. Zhao Ying, provided a loan amounting to RMB46,835,000 to the Group to settle the consideration payable for the acquisition of Langfang Wantong.
- (viii) On 21 August 2017 and on 28 August 2017, Wantongyuan Management repaid an aggregate amount of RMB55,500,000 to the previous equity shareholders of Langfang Wantong to fully settle the outstanding consideration for the acquisition of Langfang Wantong.
- (ix) On 30 August 2017, Mr. Wang Jianjun agreed to waive an amount of RMB32,500,000 payable to him by the Group which was accounted for as a deemed contribution to the Group.

Upon the completion of the Reorganisation on 14 March 2017, the Company became the holding company of the subsidiaries now comprising the Group.

As detailed above, the Reorganisation involves interspersing shell companies (including the Company, Shing Sheng International, Wantong HK and Wantongyuan Management) between Langfang Wantong, the Group’s operating subsidiary, and its shareholders. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years of 2016 and 2017 include the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the years of 2016 and 2017 or since their respective dates of incorporation or establishment where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at that date taking into account the respective dates of incorporation or establishment, where applicable.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

The Group has consistently applied International Accounting Standards, IFRSs, amendments and interpretations issued by the International Accounting Standards Board which are effective for the Group’s financial year beginning on 1 January 2017 for both current and prior years.

The Group has not early applied any new and revised IFRSs that have been issued but are not yet effective for the current year.

4. REVENUE AND SEGMENTAL INFORMATION

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

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

Segment revenue and results

Year ended 31 December 2017

	Sales of burial plots and provision of other burial-related services	Provision of cemetery maintenance services	Total
	RMB’000	RMB’000	RMB’000
Segment revenue	<u>35,566</u>	<u>3,051</u>	<u>38,617</u>
Segment results	<u>29,187</u>	<u>2,430</u>	<u>31,617</u>
Other income			4,418
Other losses			(395)
Gain on fair value change of investment properties			140
Distribution and selling expenses			(4,641)
Administrative expenses			(3,247)
Initial public offering expenses			<u>(13,997)</u>
Profit before taxation			<u><u>13,895</u></u>

Year ended 31 December 2016

	Sales of burial plots and provision of other burial- related services <i>RMB'000</i>	Provision of cemetery maintenance services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>28,531</u>	<u>2,648</u>	<u>31,179</u>
Segment results	<u>23,404</u>	<u>2,230</u>	<u>25,634</u>
Other income			7,620
Gain on fair value change of investment properties			140
Distribution and selling expenses			(3,744)
Administrative expenses			(2,749)
Initial public offering expenses			(1,429)
Finance costs			<u>(4,756)</u>
Profit before taxation			<u><u>20,716</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the gross profit attributable to each segment. This is the measure reported to the Group's CODM for the purpose of resource allocation and performance assessment. There were no inter-segment revenue during the current and prior years. No analysis of segment assets and liabilities is presented as it is not regularly reviewed by the Group's CODM.

Geographical information

All of the Group's revenue is generated from sale of burial plots and provision of other burial-related services, and provision of cemetery maintenance services in the PRC based on where goods are sold or services are rendered, and substantially all of the Group's identifiable assets and liabilities are located in the PRC.

Information about major customers

No single customer accounted for 10% or more of the Group's revenue for 2017 (2016: nil).

The Group's revenue for the year was derived from various products and services provided by the Group. The details are as follows:

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of burial plots	32,170	25,994
Other burial-related services (<i>note</i>)	3,396	2,537
Cemetery maintenance services	3,051	2,648
	<u>38,617</u>	<u>31,179</u>

Note: Other burial-related services represented revenues from miscellaneous services such as the organisation and conducting of burial rituals, the design and landscaping of the burial sites and additional engraving fees.

Revenue derived from sales of burial plots is measured at the fair value of the consideration received or receivable, net of discount, and revenue derived from sales of the burial plots and provision of cemetery maintenance services are exempt from business tax and value added tax.

5. OTHER INCOME

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on bank deposits	628	34
Interest income on loan receivables	—	4,756
Dividend income from available-for-sale investments	3,600	2,640
Rental income	190	190
	<u>4,418</u>	<u>7,620</u>

5A. OTHER LOSSES

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange loss, net	(395)	—

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remuneration	870	20
Depreciation of property and equipment	402	349
Amortisation of cemetery assets (included in cost of sales and services)	<u>250</u>	<u>215</u>
Total depreciation and amortisation	<u><u>652</u></u>	<u><u>564</u></u>
Cost of inventories recognised as an expense	<u>5,382</u>	<u>4,665</u>
Staff costs, including Directors' remuneration		
Salaries, wages and other benefits	2,988	2,526
Retirement benefits scheme contributions	<u>475</u>	<u>490</u>
Total staff costs	<u><u>3,463</u></u>	<u><u>3,016</u></u>

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current enterprise income tax	4,537	4,488
Deferred tax	<u>2,235</u>	<u>35</u>
	<u><u>6,772</u></u>	<u><u>4,523</u></u>

8. EARNINGS PER SHARE

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

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	<u>7,123</u>	<u>16,193</u>
Numbers of shares:		
Weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share	<u>815,753,425</u>	<u>750,000,000</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted retrospectively for the effect of the Reorganisation (set out in note 2) and Capitalisation Issue as if the Reorganisation and Capitalisation Issue had been completed on 1 January 2016.

No diluted earnings per share for both 2017 and 2016 were presented as there were no potential ordinary shares in issue for both 2017 and 2016.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2017 (2016: nil).

10. CEMETERY ASSETS

	At 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Prepaid lease payments	5,463	5,634
Landscape facilities	3,100	581
Development costs	529	546
	<u>9,092</u>	<u>6,761</u>

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

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

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

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

11. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables (<i>note</i>)	—	4,684
Staff advance	40	190
Prepayments	77	—
Deferred initial public offering expenses	—	476
Others	195	397
	<u>312</u>	<u>5,747</u>

Note: Other receivables at 31 December 2016 represented receivables amounting to RMB4,684,000 from an independent third party, 廊坊市溥暢商貿有限公司 (Langfang Puchang Trading Co., Ltd.). The aforesaid receivables were non-trade in nature, interest-free, unsecured and were fully settled during the year.

12. TRADE AND OTHER PAYABLES

	At 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,353	945
Advances from customers	9,141	21,003
Accrued expenses	8,626	7,625
Accrued initial public offering expenses	1,065	1,336
	<u>21,185</u>	<u>30,909</u>

Deposits from customers are in most cases received from customers before the delivery of cemetery and tombstones is made and provision of cemetery maintenance services. All sales and services are typically settled on a cash basis. No credit period is granted to customers for sale of burial plots and provision of cemetery maintenance services.

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

	At 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	2,230	699
1 to 2 years	27	42
2 to 3 years	33	149
Over 3 years	63	55
	<u>2,353</u>	<u>945</u>

13. DEFERRED INCOME

Deferred income represents the portion of the revenue generated from the provision of cemetery maintenance services that has not been earned as revenue in accordance with the revenue recognition policy and the nature of the business.

The Group provides on-going cemetery maintenance services as part of the burial services to maintain the landscaped cemeteries and the large number of memorials that lie on the cemeteries.

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

During the year ended 31 December 2017, the Group generated revenue from the provision of cemetery maintenance services in the amount of approximately RMB3,051,000 (2016: RMB2,648,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

Burial services were the largest component of our revenue, representing 92.1% of our revenue for year ended 31 December 2017 (2016: 91.5%).

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

Provision of cemetery maintenance services

We provide ongoing cemetery maintenance services as an integral part of our burial services to maintain our beautiful landscaped cemetery. Customers pay for maintenance fees upfront when they sign the sales contracts to purchase the burial plots. Our revenue from cemetery maintenance was RMB3.1 Million for the year ended 31 December 2017 (2016:RMB2.6 Million).

Strengths

Burial services provider strategically located in Langfang

Through our longstanding presence in Langfang, we believe that we have accumulated valuable knowledge about the local customs and preferences in terms of burial practices. Leveraging our experience, local knowledge and market reputation, and supported by the available land parcels within our cemetery and the broadened customer base, we believe we are able to continue to grow our business by making additional burial plots based on customer demand. Subject to strict regulatory restrictions and government zoning policies, the provision of burial services may encounter significant entry barriers, and therefore, we believe our well-established operations represent a considerable first-mover advantage over potential competitors seeking to penetrate the burial services market in Langfang and the Jing-Jin-Ji megalopolis at large.

Comprehensive burial services to satisfy diversified customer needs

Instead of basic burial services with limited scope for unique designs or customization, we offer diversified burial services to customers of different preferences and budgets and attract local customers who are willing to pay a price premium for unique designs or customization and customers from neighboring cities where affordable burial sites have come increasingly sparse.

Brand associated with professionalism and commitment to social responsibility

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

Committed, experienced and stable management team

We believe that our committed, experienced and stable management team enables us to form a vision of long-term development, closely track the market trends and customer preferences with industry insights to adjust our business strategies and execute our business initiatives on a consistent basis.

Outlook

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

Strengthen our market position in Langfang

We plan to strengthen our market position in Langfang by further developing the undeveloped area within our cemetery, upgrading our facilities, diversifying our burial-related services, and enhancing our marketing efforts.

Expand our business scope to provide funeral services

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

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

Leveraging our strategic location in Langfang and proximity to regional hubs in the Jing-Jin-Ji megalopolis, we plan to tap further into the burial services market in this region, especially in Beijing, where affordable burial sites have become increasingly sparse and local residents become increasingly mobile with the construction of a web of high-speed intercity transportation infrastructure. We plan to devote more marketing resources to serving the neighboring cities and develop further cooperation with local funeral service providers as our business partners. We target to set up one funeral service shop in each of 2018 and 2019 in Beijing to promote our burial services locally.

Pursue strategic alliance and acquisition opportunities

We have built our business so far primarily through organic growth. Going forward, we intend to selectively acquire, invest in or enter into strategic partnerships with other death care services providers, including funeral service providers and cemetery operators. We base our selection criteria on, among other things, brand name, location, land cost, land reserves and profitability. We generally favor cemeteries located in wealthy and densely populated provinces, where there is a higher demand for death care services in high-quality. In particular, we seek to prioritize business expansion opportunities with death care services providers in the Jing-Jin-Ji megalopolis and bring synergy to our current operations. Save for above disclosed, there were no plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

Financial Review

Revenue

Our revenue for the year ended 31 December 2017 was substantially generated from: (i) sale of burial plots, which includes the right to use the burial plots and headstones and other ancillary products to be used on the burial plots; (ii) Other burial-related services such as the organization and conducting of interment rituals, the design, construction and landscaping of the burial plots, and the engraving of inscriptions and ceramic photographs on the headstones, and; (iii) cemetery maintenance services. The table below sets forth a breakdown of our revenue:

	Year ended December 31			
	2017		2016	
	Revenue	% of total	Revenue	% of total
	(RMB'000)	revenue	(RMB'000)	revenue
Sale of burial plots and provision of other burial-related services	35,566	92.1%	28,531	91.5%
Cemetery maintenance services	3,051	7.9%	2,648	8.5%
	<u>38,617</u>	<u>100.0%</u>	<u>31,179</u>	<u>100.0%</u>

Benefiting from the regional economic growth, we have grown substantially since our inception in 2007. Our revenue for 2016 and 2017 was RMB31.2 million and RMB38.6 million, respectively, representing a year-on-year growth rate of 23.9%. The increase was primarily due to (1) an increase in the total number of burial plots sold and recognized as revenue, and (2) an increase in the average selling price of burial plots sold and recognized as revenue.

Cost of sales and services

Cost of sales and services consist primarily of the costs we incur in relation to the provision of our services. Our cost of sales and services increased by RMB1.5 million, or 26.24%, from RMB5.5 million for 2016 to RMB7.0 million for 2017.

	Year ended December 31			
	2017		2016	
	Cost of sales and services (RMB'000)	% of total cost of sales and services	Cost of sales and services (RMB'000)	% of total cost of sales and services
Burial services	6,379	91.1%	5,127	92.5%
Cemetery maintenance	621	8.9%	418	7.5%
	<u>7,000</u>	<u>100.0%</u>	<u>5,545</u>	<u>100.0%</u>

The increases were mainly due to our business growth in burial services. Our cost of sales and services include the headstone cost, which represented the cost of the headstones used for burial plots; land acquisition cost, which represented the cost to acquire land for development into our cemetery; cemetery maintenance cost, which represented the cost for the ongoing landscaping and maintenance of our cemetery; burial-related cost, which represented cost for designs, headstone engraving, props and offerings for interment rituals, labor and other expenses incidental to the provision of burial service; and others, which represented land development and depreciation and amortization expenses relating to burial facilities.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales and services. Our gross profit for 2017 and 2016 was RMB31.6 million and RMB25.6 million, respectively.

	Year ended December 31			
	2017		2016	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
Burial services	29,187	82.1%	23,404	82.0%
Cemetery maintenance	2,430	79.7%	2,230	84.2%
	<u>31,617</u>	<u>81.9%</u>	<u>25,634</u>	<u>82.2%</u>

Our overall gross profit margin for 2017 and 2016 was 81.9% and 82.2%, respectively. Our relatively high gross profit margins and net profit margins during the year were primarily due to (1) the relatively high gross profit margins and net profit margins in the burial industry, (2) our ability to provide high-quality burial services, and (3) the relatively low land acquisition cost for our cemetery.

Other income

Our other income decreased by 42.0% from RMB7.6 million for 2016 to RMB4.4 million for 2017. This decrease was primarily due to a decrease in interest income on loan receivables in 2017 following the repayment of certain loans by an independent third party.

Distribution and selling expenses

Our distribution and selling expenses increased by 24.0% from RMB3.7 million for 2016 to RMB4.6 million for 2017. This increase was primarily due to an increase in commission paid to partnered funeral service providers and salary and staff costs.

Administrative expenses

Our administrative expenses increased by 18.1% from RMB2.7 million for 2016 to RMB3.2 million for 2017. This increase was primarily due to our business expansion and an increase in salary and staff costs.

Initial public offering expenses

Our initial public offering expenses increase by 879.5% from RMB1.4 million for 2016 to RMB14.0 million for 2017, primarily due to fees and expenses we incurred from professional advisers in connection with the preparation of the Listing.

Finance costs

Finance costs represented interest expense on bank loans. Our finance costs decreased from RMB4.8 million for 2016 to nil for 2017. This decrease was primarily due to the full repayment of certain bank loans in 2016.

Profit before taxation

Our profit before taxation decreased by 32.9% from RMB20.7 million for 2016 to RMB13.9 million for 2017.

Income tax expense

Our income tax expense increased by 49.7% from RMB4.5 million for 2016 to RMB6.8 million for 2017, generally consistent with the increase of our revenue.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year decreased by 56.0% from RMB16.2 million for 2016 to RMB7.1 million for 2017. Our net profit margin decreased from 51.9% for 2016 to 18.4% for 2017, primarily due to the fees and expenses incurred from professional advisers in connection with the preparation of the Listing in 2017.

Earnings per share

The basic earnings per share for the year ended 31 December 2017 calculated based on the weighted average number of ordinary shares of 815,753,425 was RMB0.009 (basic earnings per share for the year ended 31 December 2016: RMB0.022).

Cash flow

Our cash and cash equivalents increased by RMB24.6 million to RMB81.7 million as of 31 December 2017 from RMB57.1 million as of 31 December 2016, principally attributable to: (i) the net cash inflow of RMB1.6 million from our operating activities; (ii) the net cash outflow of RMB12.0 million from investing activities; (iii) the net cash inflow of RMB35.0 million from financing activities which was primarily due to issue of share capital of the Company of RMB59.3 million as well as repayment of advance to related parties of RMB54.7 million relating primarily to an interest-free loan to a related party.

Pledge of assets

There was no charge on the Group's assets as at 31 December 2017 and 2016.

Inventories

Our inventories primarily consist of burial plots, headstones and others. The related carrying amounts of the cemetery assets attributable to the burial plots are transferred to inventory upon the commencement of development of cemetery assets into burial plots with the intention of sale in the ordinary course of business. Headstones are recognized as inventory when they are contracted for sale and set up in the cemetery. Inventories are transferred to cost when the customer obtains the right to use the burial plot. Our inventories decreased by 35.7% from RMB5.5 million as of 31 December 2016 to RMB3.5 million as of 31 December 2017, primarily due to the decrease in the number of headstones contracted and ready for sale but yet to be transferred to the customers.

Prepayments and other receivables

Our prepayments and other receivables decreased by 94.6% from RMB5.7 million as of 31 December 2016 to RMB0.3 million as of 31 December 2017, primarily due to the settlement of staff loan receivables.

Trade and other payables

Our trade and other payables decreased by 31.5% from RMB30.9 million as of 31 December 2016 to RMB21.2 million as of 31 December 2017, primarily due to the decrease of advances from customer. Advance from customers represented the amount of payment made by our customers when they sign the sales contracts but before the right to use the burial plots is transferred. Our advance from customers decreased during the 2017, primarily due to the occurrence of interment for certain customers during the relevant periods and the supplemental agreements signed following our adoption of the new sales policy in December 2016.

Deferred income

Deferred income represented the portion of the payment received in connection with the provision of cemetery maintenance that has not been recognized as revenue in accordance with the revenue recognition policy and the nature of the business. Our deferred income increased by 22.4% from RMB42.3 million as of 31 December 2016 to RMB51.7 million as of 31 December 2017, generally consistent with the increase in burial services sold during the relevant years.

Capital structure

On 23 May 2017, the authorized share capital of the Company was increased to US\$30,000,000 by the creation of an additional 2,999,950,000 ordinary shares with a par value of US\$0.01.

On 27 September 2017, pursuant to the Global Offering, new shares including a public offer of 125,000,000 shares of the Company and international placing of 125,000,000 new shares of the Company have been issued on 27 September 2017 at the offer price of HK\$0.28 per share.

On 27 September 2017, 749,990,000 shares under Capitalization Issue be allotted and issued by capitalizing US\$7,499,900 standing to the credit of the share premium account of the Company.

Liquidity and financial resources

As at 31 December 2017, we had bank balances and cash of approximately RMB81.7 million (2016: RMB57.1 million). We have financed our working capital, capital expenditures and other capital requirements primarily through income generated from our operations. In the future, we expect to fund our capital expenditures, working capital and other capital requirements from cash generated from our operations, the net proceeds from the Global Offering and bank and other borrowings.

Gearing ratio

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

The gearing ratio of the Group, being total liabilities to total assets, was 49.8% (2016: 59.4%), which indicates the Group's healthy liquidity position.

Employee Remuneration and Relations

As at 31 December 2017, the Group had a total of 64 employees (2016: 54 employees). The Group provides employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

Commitment

As at 31 December 2017, the Group had operating lease commitments in respect of rented office of approximately RMB0.6 million (2016: RMB0.8 million). As at 31 December 2017, the Group had capital commitments in respect of purchased equipment of approximately RMB0.5 million (2016: Nil).

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2017 (2016: Nil).

Significant Investments, Acquisitions and Disposals

During 2017 and 2016, the Group did not make any material acquisition or disposal of subsidiaries and associated companies and significant investments.

Foreign currency risk

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company is committed to establish and maintain good corporate governance practices and procedures. For the year ended 31 December 2017, the Board has adopted its own code on corporate governance practices which incorporate all the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The Directors of the Company will continue to review its corporate governance practices in order to enhance its corporate governance standard and ensure further standards be put in place by reference to the recommended best practices whenever suitable and appropriate.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2017, including the accounting principles and practices adopted by the Group with the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made, and recommended to the Board for approval.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2017 is scheduled to be held on Wednesday, 9 May 2018 (the “AGM”). A notice convening the AGM will be issued and disseminated to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 May 2018 to Wednesday, 9 May 2018 (both days inclusive) during which no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM of the Company, all completed transfer documents accompanying with the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30p.m. (Hong Kong time) on Thursday, 3 May 2018.

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

Hong Kong, 21 March 2018

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