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萬桐園

CHINA WAN TONG YUAN (HOLDINGS) LIMITED

中國萬桐園(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8199)

**THIRD QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

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

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

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

This announcement, for which the directors (the “Directors”) of China Wan Tong Yuan (Holdings) Limited 中國萬桐園(控股)有限公司 (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading or deceptive; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.

The board of directors (the “Board”) of the Company hereby presents the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months (the “Quarterly Period”) and nine months ended 30 September 2019 (the “Period”), together with the unaudited comparative figures for the corresponding periods in 2018 as follows:

FINANCIAL HIGHLIGHTS

The unaudited revenue of the Group amounted to approximately RMB51,872,000 (nine months ended 30 September 2018: RMB33,123,000) for the Period which represented an increase of RMB18,749,000 or 56.6% as compared with the corresponding period in 2018.

The profit attributable to owners of the Company was RMB22,576,000 (nine months ended 30 September 2018: RMB24,144,000) for the Period, which represented a decrease of RMB1,568,000 or 6.5% as compared with the same period last year.

The Board does not recommend the payment of dividend for the Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	3	33,069	7,736	51,872	33,123
Cost of sales and services		<u>(7,516)</u>	<u>(1,639)</u>	<u>(10,871)</u>	<u>(5,071)</u>
Gross profit		25,553	6,097	41,001	28,052
Other income		384	26	4,335	6,293
Other gains		1,286	5,393	1,438	5,901
Gain/(loss) on fair value changes of financial assets at fair value through profit or loss	4	—	11,130	(528)	(2,815)
Gain on fair value changes of investment properties		—	—	250	150
Distribution and selling expenses		(1,400)	(1,310)	(4,613)	(4,337)
Administrative expenses		<u>(2,325)</u>	<u>(1,814)</u>	<u>(10,662)</u>	<u>(4,153)</u>
Profit before taxation		23,498	19,522	31,221	29,091
Income tax expenses	5	<u>(6,000)</u>	<u>(4,005)</u>	<u>(8,645)</u>	<u>(4,947)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>17,498</u>	<u>15,517</u>	<u>22,576</u>	<u>24,144</u>
Earnings per share					
Basic (RMB)	6	<u>0.017</u>	<u>0.016</u>	<u>0.023</u>	<u>0.024</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

For the nine months ended 30 September 2019

	Attributable to owners of the Company				Total RMB'000
	Share capital RMB'000	Statutory surplus reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 1 January 2018 (audited)	<u>66,192</u>	<u>4,043</u>	<u>1,309</u>	<u>29,139</u>	<u>100,683</u>
Profit and total comprehensive income for the period	—	—	—	24,144	24,144
Transfer to statutory surplus reserve	<u>—</u>	<u>891</u>	<u>—</u>	<u>(891)</u>	<u>—</u>
At 30 September 2018 (unaudited)	<u><u>66,192</u></u>	<u><u>4,934</u></u>	<u><u>1,309</u></u>	<u><u>52,392</u></u>	<u><u>124,827</u></u>
At 1 January 2019 (audited)	<u>66,192</u>	<u>6,766</u>	<u>1,309</u>	<u>54,663</u>	<u>128,930</u>
Profit and total comprehensive income for the period	—	—	—	22,576	22,576
Transfer to statutory surplus reserve	<u>—</u>	<u>2,467</u>	<u>—</u>	<u>(2,467)</u>	<u>—</u>
At 30 September 2019 (unaudited)	<u><u>66,192</u></u>	<u><u>9,233</u></u>	<u><u>1,309</u></u>	<u><u>74,772</u></u>	<u><u>151,506</u></u>

NOTES:

1. CORPORATE INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of the Exchange. 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 Company's principal place of business in Hong Kong is Room 907B, 9th floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company and the principal activities of the Group are engaged in the sale of burial plots and columbarium units, provision of other burial-related services and provision of cemetery maintenance services.

The unaudited condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands except when otherwise indicated. The condensed consolidated financial statements for the nine months ended 30 September 2019 (the "Third Quarterly Financial Statements") are unaudited but were reviewed by the audit committee of the Company (the "Audit Committee") and approved for issue by the Board on 11 November 2019.

2. BASIS OF PREPARATION

The Third Quarterly Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The Third Quarterly Financial Statements do not include all the information required in annual financial statements in accordance with International Financial Reporting Standards (the "IFRSs") issued by International Accounting Standard Board (the "IASB"), and should be read in conjunction with the annual report for the year ended 31 December 2018 (the "2018 Annual Report").

The accounting policies and methods of computation adopted in the preparation of the Third Quarterly Financial Statements are consistent with those followed in preparing the 2018 Annual Report except for the adoption of new and amendments to IFRSs that are effective from 1 January 2019. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Third Quarterly Financial Statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The preparation of the Third Quarterly Financial Statements in conformity with IFRSs requires the use of certain critical accounting estimates. The significant judgments, estimates and assumptions applied in the preparation of the Third Quarterly Financial Statements are consistent with those used in 2018 Annual Report.

3. REVENUE

The Group's revenue is generated in the PRC based on where goods are sold or services are rendered.

	For the three months ended		For the nine months ended	
	30 September		30 September	
	(Unaudited)		(Unaudited)	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of burial plots and columbarium units and provision of other burial-related services	31,976	6,817	49,054	30,598
Provision of cemetery maintenance	1,093	919	2,818	2,525
	33,069	7,736	51,872	33,123

4. GAIN/(LOSS) ON FAIR VALUE CHANGES OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

At the date of initial application of IFRS 9 on 1 January 2018, unlisted investments were reclassified from available-for-sale investments to financial assets at fair value through profit or loss ("FVTPL"). During the period, the amount of loss on fair value changes of financial assets at FVTPL of RMB0.5 million was charged to profit or loss (nine months ended 30 September 2018: RMB2.8 million).

5. INCOME TAX EXPENSES/(CREDIT)

	For the three months ended		For the nine months ended	
	30 September		30 September	
	(Unaudited)		(Unaudited)	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current enterprises income tax	6,000	1,211	8,715	5,602
Deferred tax	—	2,794	(70)	(655)
	6,000	4,005	8,645	4,947

6. EARNINGS PER SHARE

- (a) The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Earnings				
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<u>17,498</u>	<u>15,517</u>	<u>22,576</u>	<u>24,144</u>
Number of shares				
Weighted average number of ordinary shares in issue	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>

- (b) No diluted earnings per share for the three and nine months ended 30 September 2019 and 2018 was presented as there were no potential ordinary shares in issue.

7. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

8. EVENTS AFTER REPORTING PERIOD

There was no significant event took place subsequent to the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

The Group's burial service consists primarily of (1) sale of burial plots and columbarium units, which includes the right to use the burial plots and headstones and other ancillary products to be used on the burial plots, and the right to use the columbarium units; and (2) other burial-related services such as the organization and conducting of interment rituals, the design, construction and landscaping of the burial plots, and the engraving of inscriptions and ceramic photographs on the headstones. Burial service is the largest component of the Group's revenue, representing 94.6% of its revenue for the nine months ended 30 September 2019 (2018: 92.4%). The Group's revenue from burial service, in particular, the sale of burial plots, for a given period is dependent upon the number and the average selling price of burial plots sold and recognized as revenue during the period.

In respect of provision of columbarium collective services, the Group completed the construction of three new columbaria and recognized sale of certain units to a customer in September 2019, contributing to a significant increase in revenue of the Group for the nine months ended 30 September 2019 over the same period in 2018.

Providing cemetery maintenance services

The Group provides ongoing cemetery maintenance services as an integral part of its burial service to maintain its beautiful landscaped cemetery. Customers pay for maintenance fees upfront when signing the sales contracts to purchase the burial plots. The Group's revenue from cemetery maintenance was RMB2.8 million for the nine months ended 30 September 2019 (2018: RMB2.5 million).

Application for the transfer of listing from GEM to Main Board

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

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 56.6% from RMB33.1 million for the nine months ended 30 September 2018 to RMB51.9 million for the nine months ended 30 September 2019, primarily driven by an increase in revenue from burial service. The Group's revenue from burial service increased by 60.3% from RMB30.6 million for the nine months ended 30 September 2018 to RMB49.1 million for the nine months ended 30 September 2019, primarily due to revenue from the sale of certain columbarium units of RMB24.9 million during the nine months ended 30 September 2019 (2018: RMB4.1 million), partly offset by the decrease in number of burial plots sold.

Cost of sales and services

The Group's cost of sales and services increased by 114.4% from RMB5.1 million for the nine months ended 30 September 2018 to RMB10.9 million for the nine months ended 30 September 2019. The Group's cost of sales and services for burial service increased by 119.2% from RMB4.8 million for the nine months ended 30 September 2018 to RMB10.5 million for the nine months ended 30 September 2019, primarily due to the increase in construction costs of the columbarium units, and the increase in the average cost of burial plots and burial services.

The Group's cost of sales and services for cemetery maintenance are at RMB0.3 million and RMB0.4 million for the nine months ended 30 September 2018 and 2019 respectively.

The Gross profit and gross profit margin

As a result of the foregoing, the Group gross profit increased by 46.2% from RMB28.1 million for the nine months ended 30 September 2018 to RMB41.0 million for the nine months ended 30 September 2019. The Group's overall gross profit margin, however, decreased from 84.7% for the nine months ended 30 September 2018 to 79.0% for the nine months ended 30 September 2019, mainly due to higher construction costs of the new columbaria resulting in a lower gross profit margin of 75.4% for the sale of certain columbaria units in September 2019.

The Group's gross profit for burial service increased by 49.4% from RMB25.8 million for the nine months ended 30 September 2018 to RMB38.6 million for the nine months ended 30 September 2019, while the gross profit margin decreased from 84.4% for the nine months ended 30 September 2018 to 78.7% for the nine months ended 30 September 2019, and such decrease was primarily due to the reason as mentioned above.

The gross profit for cemetery maintenance was RMB2.2 million and RMB2.4 million for the nine months ended 30 September 2018 and 2019, respectively. The gross profit margin for cemetery maintenance decreased from 88.1% for the nine months ended 30 September 2018 to 85.4% for the nine months ended 30 September 2019, which is considered fairly stable in terms of absolute amount.

Other income

The Group's other income decreased by 31.1% from RMB6.3 million for the nine months ended 30 September 2018 to RMB4.3 million for the nine months ended 30 September 2019. This decrease was primarily due to the decrease in dividends income from financial assets at FVTPL for the nine months ended 30 September 2019 subsequent to the sale of certain financial assets at FVTPL in August 2018.

Distribution and selling expenses

The Group's distribution and selling expenses increased by 6.4% from RMB4.3 million for the nine months ended 30 September 2018 to RMB4.6 million for the nine months ended 30 September 2019. This increment was primarily due to increase in (1) salary and staff costs and (2) commission paid to partnered funeral service providers.

Administrative expenses

The Group's administrative expenses increased by 156.7% from RMB4.2 million for the nine months ended 30 September 2018 to RMB10.7 million for the nine months ended 30 September 2019. This increment was primarily due to professional fees and other expenses incurred in 2019 for the application for transfer of listing from GEM to Main Board, which amounted to RMB6.4 million.

Income tax expenses

The Group's income tax expenses increased by 74.8% from RMB4.9 million for the nine months ended 30 September 2018 to RMB8.6 million for the nine months ended 30 September 2019, primarily due to a higher deferred tax credit resulting from loss on fair value changes of financial assets at FVTPL in 2018.

Profit and total comprehensive income for the period

As a result of the foregoing, the Group's profit and total comprehensive income for the period decreased by 6.5% from RMB24.1 million for the nine months ended 30 September 2018 to RMB22.6 million for the nine months ended 30 September 2019. The Group's net profit margin decreased from 72.9% for the nine months ended 30 September 2018 to 43.5% for the nine months ended 30 September 2019, primarily due to (i) the increase in tax expenses as a result of a higher deferred tax credit and (ii) the

increase in administrative expenses; partially offset by (3) 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.

Capital structure

The shares of the Company have been listed on GEM since 27 September 2017 (the “Listing Date”). There are no material change in the capital structure of the Company since the Listing Date. The capital of the Group comprises only ordinary shares.

Placing of Shares by Controlling Shareholder in August 2019

On 27 August 2019, the board of directors of the Company has been informed by the controlling shareholder (as defined in the GEM Listing Rules) of the Company, Tai Shing International Investment Company Limited (the “Controlling Shareholder”) that the Controlling Shareholder has entered into an agreement with First Shanghai Securities Limited (the “Placing Agent”), pursuant to which the Controlling Shareholder has agreed to appoint the Placing Agent and the Placing Agent has agreed, on a best efforts basis, to procure placees (the “Placees”) to purchase for up to an aggregate maximum number of 50,000,000 existing shares of the Company (the “Placing Shares”) held by the Controlling Shareholder, representing approximately 5.0% of the issued share capital of the Company (the “Placing”).

On 30 August 2019, the Placing Shares had been placed through the Placing Agent to 50 Placees, who are not connected person(s) of the Company (as defined in the GEM Listing Rules) or any parties acting in concert with the Company or its connected persons, at the placing price of HK\$0.23 per Placing Share. None of the Placees has become a substantial shareholder (as defined under the GEM Listing Rules) of the Company immediately upon completion of the Placing (the “Completion”). Upon Completion, the Controlling Shareholder holds 700,000,000 shares of the Company, representing 70.0% of the issued share capital of the Company as at the date of this announcement.

For details of the Placing, please refer to the announcements of the Company dated 27 August 2019 and 30 August 2019.

Pledge of assets

There was no charge on the Group’s assets as at 30 September 2019 and 31 December 2018.

Material acquisitions, disposals and significant investments

There were no other material acquisitions, disposals or significant investments during the Period.

Employee information

As at 30 September 2019, the Group had a total of 57 employees (30 September 2018: 67 employees). The Group provides employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

Segmental information

For the nine months ended 30 September 2019, the Group has two operating and reporting segments namely (1) sales of burial plots and columbarium units and provision of other burial-related services and (2) provision of cemetery maintenance service.

PROSPECTS

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

The Group strengthens its market position in Langfang by further developing the undeveloped area within its cemetery, upgrading its facilities, diversifying its burial-related services, and enhancing its marketing efforts.

The Group plans to operate its funeral services segment which not only allows the Group to diversify and step into other services areas besides its own products and services, but also enables the Group to maximize the productivity of its existing burial-related professionals and create synergy effects.

In respect of provision of columbarium collective service, the Group completed the constructions of three columbaria in 2019. Following the sale of certain units of one of the new columbaria in September 2019, the Group will continue the sale of columbarium units and to provide maintenance services in the future.

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 14 September 2017 (the “Prospectus”) with the Group’s actual business progress for the period from the listing date to 30 September 2019 is set out below:

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

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

Objects	Implementation plan up to 30 September 2019	Actual business progress up to 30 September 2019
	<i>(iii) Developing Rose Garden, Langfang Garden and artistic burial areas</i>	<ul style="list-style-type: none"> • 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 • Artistic burial areas are under continuous development
	(2) Acquisition of additional facilities and vehicles	<ul style="list-style-type: none"> • Purchased lawn mowers sprinkler truck, and, purchased and installed incinerators
Expanding the business scope of providing funeral services	(1) Locating, leasing, designing and decorating premises for the operation of funeral services center and funeral services store in the living community	<ul style="list-style-type: none"> • Service sites at Langfang Funeral Home have been set up and funeral services specialists have been sent on-site • Construction of the funeral hall at the cemetery has been completed and the Group already started providing improved interment ritual services • The Group is still searching for suitable venue as a funeral services center

Objects	Implementation plan up to 30 September 2019	Actual business progress up to 30 September 2019
	(2) Recruiting and training staff for provision of funeral services	<ul style="list-style-type: none"> • Six people including the manager of the funeral services center have been recruited and over 10 people have been provided with training
	(3) <ul style="list-style-type: none"> • Conducting marketing activities for the Group’s funeral services via mass media (such as newspapers) • Purchasing vehicles for funeral rituals and other business operation 	<ul style="list-style-type: none"> • A funeral vehicle and two electric vehicles have been purchased • Media promotion for the funeral services center has not been carried out yet
Tapping further into the burial market in the Jing-Jin-Ji megalopolis & pursuing strategic alliance and acquisition opportunities	Liaising and cooperating with more Beijing-based funeral services providers and mortuaries	<ul style="list-style-type: none"> • The Group has liaised and started cooperations with eight Beijing-based funeral services providers and one hospital mortuary, while further marketing activities are in progress • The Group is also negotiating with other potential partners
	Establishing the first Beijing-based store for marketing purpose	<ul style="list-style-type: none"> • Not set up yet. Aim to seek suitable site in Beijing in second half of 2019
	Selecting potential targets for acquisition and conducting acquisition	<ul style="list-style-type: none"> • The Group has conducted site visits to projects in various regions such as Beijing, Tianjin, Hebei, etc. A few projects were selected for further investigation, and no agreement has been entered into nor any initial payment has been made

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

Note:

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

As at 30 September 2019, the net proceeds of approximately RMB28.2 million have not been utilized and are held by the Company in short-term deposits with licensed banks in Hong Kong.

Updated information on the use of the Net Proceeds

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

As disclosed under the “Updated information on the use of the Net Proceeds” section in the 2019 Interim Report, the Group had slowed down its progress in establishing its new funeral services center due to government’s plan to build a new funeral parlor, but decided in 2019 to seek an appropriate venue to commence operations through its new funeral service center. Despite difficulty in leasing an appropriate venue in the past half year due to the nature of the Group’s industry, the Group had recently identified a parcel of land in Langfang and is planning to lease, design and construct its funeral services center, of which it is estimated to be ready for operations by the end of 2020.

Meanwhile, the Group will market 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. 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 commencement of its operation.

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

The Group has been investing time and effort to build its brand awareness for the purpose of strengthening its market position in Langfang and capturing the growth in the nearby markets. Since the Listing, the Group had been liaising with multiple Beijing-based funeral services providers, and had successfully built cooperation and partnership with them, mainly for referring customers and marketing of the Group’s cemetery and burial services. The Directors believe that customers’ brand awareness is important for the Group to strengthen its market position in Langfang and expand its business nearby, thus moving 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 burials services.

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

	For the three months ending 31 December 2019 RMB'000	For the year ending 31 December 2020 RMB'000	Total RMB'000
Strengthening market position in Langfang			
— upgrading the environment and roads of the cemetery and developing new sectioned burial areas	2,018	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>
Expanding the business scope of the Group to provide funeral services			
— 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>
Tapping further into the burial market in the Jing-Jin-Ji megalopolis & pursuing strategic alliance and acquisition opportunities	2,000	10,016	12,016
Total	5,705	22,451	28,156

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

FOREIGN EXCHANGE EXPOSURE

The Group's business is principally denominated in RMB. As certain bank deposits denominated in Hong Kong dollars, therefore, the Group is exposed to foreign currency exchange risk. No currency hedging arrangement has been made by the Group during the period. The Directors are actively and regularly monitoring the exposure to foreign exchange so as to minimize the foreign exchange rate risk.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 30 September 2019, the Group did not have any material contingent liabilities and capital commitment.

EVENTS AFTER THE REPORTING PERIOD

No important event affecting the Group have occurred subsequent to 30 September 2019 and up to the date of this announcement.

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION OF THE DIRECTORS AND CHIEF EXECUTIVE

As at 30 September 2019, the interests and short positions of each of the Directors and chief executive and their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of the Director	Capacity/nature of interests	Number and class of Securities	Percentage of Shareholding (Note 3)
Ms. Zhao Ying (Note 2)	Founder of a discretionary trust who can influence how the trustee exercises its discretion	700,000,000 (L) (Note 1)	70% (Note 3)

Notes:

- (1) The letter “L” refers to the long position of the Shares.
- (2) Ms. Zhao Ying is the chairman and the non-executive director of the Company. She is the settlor, sole member of The Hope Trust’s protective committee and a beneficiary of The Hope Trust, which is a discretionary trust and TMF (Cayman) Ltd. is on the trusts of The Hope Trust. TMF (Cayman) Ltd. wholly owns the entire share capital of Lily Charm Holding Limited. Lily Charm Holding Limited wholly owns the entire issued share capital of Tai Shing International Investment Company Limited. Therefore, Ms. Zhao Ying is deemed to be interested in the 700,000,000 Shares directly held by Tai Shing International Investment Company Limited.
- (3) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO

(including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, so far as was known to the Directors, the following persons/entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name of Shareholder	Capacity/nature of interests	Number and class of Securities <i>(Note 1)</i>	Percentage of Shareholding <i>(Note 5)</i>
Tai Shing International Investment Company Limited	Beneficial owner <i>(Note 2)</i>	700,000,000 (L)	70%
Lily Charm Holding Limited	Interest in a controlled Corporation <i>(Notes 2, 3)</i>	700,000,000 (L)	70%
TMF (Cayman) Ltd.	Trustee <i>(Notes 2, 3, 4)</i>	700,000,000 (L)	70%

Notes:

- (1) The letter "L" refers to the entity/person's long position in the Shares.
- (2) Tai Shing International Investment Company Limited directly holds 700,000,000 Shares of the Company.
- (3) Lily Charm Holding Limited holds the entire of issued share capital of Tai Shing International Investment Company Limited, thus Lily Charm Holding Limited is deemed to be interested in the 700,000,000 Shares of the Company.
- (4) TMF (Cayman) Ltd. is the trustee of The Hope Trust, which is a discretionary trust set up by Ms. Zhao Ying, the chairman and non-executive Director of the Company. TMF (Cayman) Ltd. directly holds the entire issued share capital of Lily Charm Holding Limited. Therefore, TMF is deemed to be interested in 700,000,000 Shares of the Company.
- (5) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, the Directors were not aware of any other persons, except disclosed below under “Other persons’ interests and short positions in the Shares and underlying Shares of the Company” other than the Directors and chief executive of the Company who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debenture of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO; or who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, so far as was known to the Directors, the following persons/entities (not being Directors, chief executive or substantial shareholders of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholders	Capacity/nature of interests	Number and class of Securities (Note 1)	Percentage of Shareholding (Note 3)
Fairich Trading Limited	Beneficial owner	82,610,000 (L)	8.3%
Ms. Xing Junying	Interest in a controlled corporation (Note 2)	82,610,000 (L)	8.3%

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Fairich Trading Limited is directly wholly owned by Ms. Xing Junying.
- (3) The percentage is calculated on the basis of 1,000,000,000 Shares in issue as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, the Directors are not aware of any other person or corporation other than the Directors, the chief executive and substantial shareholders of the Company who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debenture of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASES, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

The Company's shares were listed on GEM on 27 September 2017. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the date of Listing and up to the date of this announcement.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING INTERESTS OR CONFLICT OF INTEREST

Ms. Zhao Ying, The Hope Trust, Lily Charm Holding Limited, Tai Shing International Investment Company Limited, individually and collectively as the controlling shareholder(s) (the "Controlling Shareholder(s)") (as defined under GEM Listing Rules) of the Company, has entered into the deed of non-competition dated 7 September 2017 (the "Deed of Non-competition") in favor of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the Controlling Shareholders have irrevocably undertaken to the Company that they will not and will procure their respective close associate (except any member of the Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the core business of the Group, being burial service business and funeral services that the Group plans to expand into or own any rights or interests in such businesses.

Since the date of Listing and up to the date of this announcement, the Directors are not aware of any business or interest of the Directors, the Substantial Shareholders and their respective associates (as defined in the GEM Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

The Controlling Shareholders have confirmed to the Company that from the effective date of the Deed of the Non-competition and up to the date of this announcement, Ms. Zhao Ying, The Hope Trust, Lily Charm Holding Limited, Tai Shing International Investment Company Limited and their respective close associates (as defined under the GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

COMPLIANCE ADVISER’S INTERESTS

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Innovax Capital Limited (“Innovax Capital”) as the compliance adviser of the Company. As informed by Innovax Capital, as at 30 September 2019, neither Innovax Capital, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) has or may have, any interests in the securities of the Company or any other companies of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Innovax Capital dated 28 March 2017.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules on terms no less exacting than the required standard of dealings. Having made specific enquiries of the Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the period from the date of listing up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve accountability. In the opinion of the Board, the Company has applied the principles and complied with all the applicable code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules during the period from the date of Listing to 30 September 2019.

AUDIT COMMITTEE

The Company established the audit committee (the “Audit Committee”) with written terms of reference with Rules 5.28 to 5.29 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, making recommendations to the Board on the appointment and removal of external auditors, reviewing the financial information and disclosures, to oversee the audit process, to develop and review the policies and to perform other duties and responsibilities as assigned by the Board. The Audit Committee consists of three independent non-executive Directors, namely Dr. Wong Wing Kuen Albert, Mr. Cheung Ying Kwan and Mr. Choi Hon Keung Simon. Dr. Wong Wing Kuen Albert is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period, which is of the opinion that such statements comply with the applicable accounting standards, the Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 11 November 2019

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

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