



ANXIAN YUAN CHINA HOLDINGS LIMITED
安賢園中國控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 0922)

www.anxianyuanchina.com



Interim Report 2018

* For identification purposes only



CONTENTS

CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
OTHER INFORMATION	6
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	13
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	14
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	15
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	17
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	19
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	20
GLOSSARY	53

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shi Hua (*Chairman*)

Mr. Shi Jun (*Chief Executive Officer*)

Mr. Law Fei Shing (*Deputy Chief Executive Officer*)

Ms. Shen Mingzhen (*Deputy Chief Executive Officer*)

Non-executive Director

Mr. Wang Hongjie

Independent Non-executive Directors

Mr. Chan Koon Yung

Mr. Lai Chun Yu

Mr. Lum Pak Sum

COMPANY SECRETARY

Mr. Law Fei Shing

AUDIT COMMITTEE

Mr. Chan Koon Yung (*Committee Chairman*)

Mr. Lai Chun Yu

Mr. Lum Pak Sum

REMUNERATION COMMITTEE

Mr. Chan Koon Yung (*Committee Chairman*)

Mr. Lai Chun Yu

Mr. Lum Pak Sum

NOMINATION COMMITTEE

Mr. Shi Hua (*Committee Chairman*)

Mr. Chan Koon Yung

Mr. Lai Chun Yu

Mr. Lum Pak Sum

AUTHORISED REPRESENTATIVES

Mr. Shi Hua

Mr. Law Fei Shing

AUDITOR

Ernst & Young

Certified Public Accountants

22nd Floor, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

Wing Lung Bank Limited

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9th Floor, Cheuk Nang Plaza

250 Hennessy Road

Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited

Level 22, Hopewell Centre

183 Queen's Road East, Hong Kong

SHARE INFORMATION

Stock code: 00922

Board lot: 20,000 shares

WEBSITE

www.anxianyuanchina.com

MARKET OVERVIEW

Loyalty and filial piety are essential components of the Chinese culture. The concept of “elaborated funeral” is also a key element forming the culture of filial piety. According to the forecast made by the State Information Center, the forthcoming decade will become the largest growth of the aged population in the PRC in the 21st century with the aging level reaching 20.3% in 2024. Continuous aging in the PRC led to constant growth of annual death toll, accompanied by a solid increase in the number of cremations, all will definitely be the main driver of growth in the funeral service industry in the PRC. In this sense, there is the largest potential consumer group for funeral services in the PRC.

Some industry research reports revealed that the size of the funeral industry in the PRC was close to RMB100 billion in 2017 with a compound growth rate of 17.0%. Among the four main sub-sectors, the cemetery (funeral industry) service industry had the largest size which was nearly RMB60 billion in 2017, showing the ultra-promising market prospects of the funeral industry.

BUSINESS REVIEW

The Group continued to center on the funeral business in an endeavor to make steady progress and to build our capacity and consolidate our foundation.

During the period under review, under the leadership of the Board, the Group strived to enhance the operation capacity of its core projects. In particular, Zhejiang Anxian Yuan as a core business had made significant contributions in terms of performance. Other projects of the Group had also made further breakthrough and had been gradually proceeding towards its dual goals of branding and benefit enhancement. In addition, the Group was closely in line with the direction of national policies to adjust itself to industry reform. Green funeral projects were carried out proactively in all major cemeteries of the Group where advanced facilities and equipment as well as management philosophy were in full swing that promoting funeral modes in a sustainable way through facilitating safety in funeral, ecology and resources aspects and enhancing coordination and unification of funeral comprehensive benefits as its desired result.

The very beginning mind itself is the most accomplished mind of true enlightenment. With its firm belief, the Group will forge valiantly ahead in the foreseeable future. From the benefits of the Group, branding to contributions to society, the Group will uphold the path of innovative development and supreme quality, paving the way for becoming a top-notch brand of funeral in the PRC.

FINANCIAL REVIEW

For the Period, the Group recorded net profit of approximately HK\$6,083,000 (2016: approximately HK\$11,438,000) on revenue of approximately HK\$95,181,000 (2016: approximately HK\$74,424,000). During the Period, the Group sold 1,179 tombs (2016: 1,018 tombs). The Group's net profit decreased period-on-period by approximately HK\$5,355,000 was mainly attributable to the write-back of income tax provision for approximately HK\$4,006,000 in the period for the six months ended 30 September 2016 coupled with the fair value gain of derivative component of convertible bonds recorded in the Period was decreased by HK\$4,100,000 as compared to the corresponding period last year.

The net assets of the Group as at 30 September 2017 was approximately HK\$589,663,000 (31 March 2017: approximately HK\$554,275,000).

MANAGEMENT DISCUSSION AND ANALYSIS



LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the net cash outflow was approximately HK\$81,302,000 (2016: approximately HK\$45,123,000). As at 30 September 2017, the cash and cash equivalents of the Group were approximately HK\$31,006,000 (31 March 2017: approximately HK\$110,140,000). The Group had short-term and long-term bank and other borrowings of approximately HK\$49,094,000 (31 March 2017: approximately HK\$165,476,000) and approximately HK\$247,694,000 (31 March 2017: approximately HK\$141,497,000) respectively at the end of the Period.

On 17 November 2015, the Company issued guaranteed and secured bonds and guaranteed and secured convertible bonds with principle amounts of HK\$90,000,000 and HK\$50,000,000 respectively. The aggregate net cash proceeds from such issuances amounted to approximately HK\$139,000,000 and were intended to be applied for general working capital and/or acquisition of assets. On 16 May 2017, the Company and all interested parties entered into a deed of termination and release pursuant to which the parties mutually agreed for the early redemption and termination of the guaranteed and secured bonds and guaranteed and secured convertible bonds in full at the redemption price of approximately HK\$151,856,000. The early redemption was funded by the internal resources of the Group and by a loan provided by Excel Precise International Limited (“Excel Precise”) in the amount of HK\$100,000,000. Excel Precise is a holder of a money lenders licence under the Money Lenders Ordinance and is owned as to 25% by Mr. Law Fei Shing (“Mr. Law”), an Executive Director, and owned as to 73.5% by True Promise Investments Limited (“True Promise”), a company wholly-owned by Mr. Law. Mr. Law is the director of both Excel Precise and True Promise. The early redemption took place on 16 May 2017. Details are set out in the Company’s announcement dated 16 May 2017 and in notes 25 and 27 to the financial statements.

GEARING RATIO

The gearing ratio (total liabilities/total assets) at the end of the Period was 0.48 (31 March 2017: 0.52).

CHARGES ON ASSETS

No charges on assets were noted at the end of the Period (31 March 2017: Nil).

LITIGATION

No outstanding litigation as at 30 September 2017 was noted.

FINANCIAL GUARANTEE

No outstanding financial guarantee of the Group as at 30 September 2017 was noted.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the Period, the Group’s business were mainly denominated in RMB. The PRC subsidiaries of the Group were operated in the PRC. All transactions, assets and liabilities of the PRC subsidiaries were denominated in RMB and were translated into HK\$ at period end date as foreign operations. No foreign currency hedge was made during the Period.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2017, the Group had 16 employees (including Directors) (31 March 2017: 15 employees) and 358 employees (31 March 2017: 365 employees) in Hong Kong and the PRC respectively. The Group regularly reviews remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary and mandatory provident fund, employees are entitled to other benefits such as share option scheme, of which the Directors may, at their discretion, grant options to employees of the Group. The remuneration policies of the Group's employees are subject to review regularly.

The Group has a share option scheme available for directors and employees of the Company or any of its subsidiaries.

Total staff costs (including Directors) for the Period amounted to approximately HK\$21,070,000 (2016: approximately HK\$18,376,000), of which contribution to mandatory provident fund accounted for approximately HK\$67,000 (2016: approximately HK\$78,000).

SUBSCRIPTION OF NEW SHARES

No subscription of new shares was noted during the Period.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

No acquisition and disposal of subsidiaries and associated companies were noted during the Period.

OTHER INFORMATION



RESULTS AND DIVIDEND

The results of the Group for the Period are set out under the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income on pages 13 and 14.

The Directors do not recommend the payment of any dividend for the Period (2016: Nil).

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

As at 30 September 2017, the interests and short positions of the Directors and the chief executives of the Company (the "Chief Executives") in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be entered in the register referred to therein pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Position in ordinary Shares of HK\$0.1 each and underlying shares

Name of Director	Nature of interest/ Capacity	Number of Shares held	Number of Underlying Shares held	Share option	Aggregate interest	Approximate percentage of shareholding <i>(Note 3)</i>	Notes
Mr. Shi Hua	Beneficial Owner	221,780,000	–	5,000,000	226,780,000	4.17%	
	Interest of controlled corporation	1,150,000,000	1,150,000,000	–	2,300,000,000	42.32%	1
Mr. Shi Jun	Beneficial Owner	122,000,000	–	43,000,000	165,000,000	3.04%	
Mr. Law Fei Shing	Beneficial Owner	20,000,000	–	37,000,000	57,000,000	1.05%	
Ms. Shen Mingzhen	Beneficial Owner	122,000,000	–	43,000,000	165,000,000	3.04%	
Mr. Cheng Gang	Beneficial Owner	–	–	43,000,000	43,000,000	0.79%	2
Mr. Wang Hongjie	Beneficial Owner	–	–	43,000,000	43,000,000	0.79%	
Mr. Chan Koon Yung	Beneficial Owner	–	–	5,000,000	5,000,000	0.09%	
Mr. Lai Chun Yu	Beneficial Owner	–	–	5,000,000	5,000,000	0.09%	
Mr. Li Xigang	Beneficial Owner	–	–	5,000,000	5,000,000	0.09%	2

Notes:

- 1,150,000,000 underlying shares represent the Shares which might be allotted and issued to Master Point Overseas Limited upon the exercise in full of the conversion right attached to convertible notes. Master Point Overseas Limited is a company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is legally and beneficially owned by Mr. Shi Hua. Mr. Shi Hua therefore deemed to be interested in 1,150,000,000 Shares and 1,150,000,000 underlying shares held by Master Point Overseas Limited respectively.
- With effect from 1 October 2017, Mr. Cheng Gang resigned as a Non-executive Director and Mr. Li Xigang resigned as an Independent Non-executive Director and a member of each of audit committee, remuneration committee and nomination committee of the Company;
- The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 September 2017 which was 5,434,452,600.

Save as disclosed above, as at 30 September 2017, none of the Directors or the Chief Executives had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 2017, so far as is known to the Directors and according to the register kept by the Company under Section 336 of the SFO, the following Shareholders, other than a Director or Chief Executive Officer, had an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long positions in the ordinary Shares of HK\$0.1 each and underlying shares:

Name of Shareholder	Nature of interest/ Capacity	Number of Shares held	Number of Underlying Shares held	Aggregate interest	Approximate percentage of shareholding <i>(Note 3)</i>	Notes
Master Point Overseas Limited	Beneficial Owner	1,150,000,000	1,150,000,000	2,300,000,000	42.32%	1
Ample Fortunate Limited	Beneficial Owner	150,000,000	350,000,000	500,000,000	9.20%	2
Mr. Yu Xiaogou	Interest of controlled corporation	150,000,000	350,000,000	500,000,000	9.20%	2
	Beneficial Owner	100,000,000	–	100,000,000	1.84%	

Notes:

- 1,150,000,000 underlying shares represent the Shares which might be allotted and issued to Master Point Overseas Limited upon the exercise in full of the conversion right attached to convertible notes. The interests of Master Point Overseas Limited were also disclosed as the interests of Mr. Shi Hua, the beneficial owner of Master Point Overseas Limited, in the above section headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION".
- 350,000,000 underlying shares represent the Shares which might be allotted and issued to Ample Fortunate Limited upon the exercise in full of the conversion right attached to convertible notes. Ample Fortunate Limited is a company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is legally and beneficially owned by Mr. Yu Xiaogou. Mr. Yu Xiaogou therefore deemed to be interested in 350,000,000 underlying shares held by Ample Fortunate Limited.
- The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 September 2017 which was 5,434,452,600.

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION



RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed “INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION” and “SHARE OPTION SCHEME” in this report, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the Period had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).

SHARE OPTION SCHEME

The Company operates Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Share Option Scheme include the Directors, employees, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, consultant or adviser to the Group, any shareholders of the Group or any company wholly owned by one or more persons belonging to any of the participants described above. The Share Option Scheme became effective on 18 July 2008 (the “Adoption Date”) and will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the Adoption Date (the “Scheme Mandate Limit”). This Scheme Mandate Limit can be refreshed by the Shareholders’ approval in general meeting. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at the offer date. Any further grant of share options in excess of this limit is subject to Shareholders’ approval in a general meeting.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant mentioned hereinafter, the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such other high percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period, if any, and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of share options is determinable by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company’s shares.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing shares. The share options do not confer rights on the holders to dividends or to vote at Shareholders’ meetings.

OTHER INFORMATION

Movements relating to the share options granted during the Period were as follows:

Name and category of participant	Date of grant	Exercisable period	Number of options			Balance at 30 September 2017	Exercise price per Share HK\$
			Balance at 1 April 2017	Granted during the Period	Exercised during the Period		
Executive Directors							
Mr. Law Fei Shing	30 July 2009	31 July 2009 to 17 July 2018	16,000,000	–	–	16,000,000	0.604
Mr. Law Fei Shing	6 July 2010	7 July 2010 to 17 July 2018	3,000,000	–	–	3,000,000	0.435
Mr. Law Fei Shing	31 March 2012	3 April 2012 to 17 July 2018	8,000,000	–	–	8,000,000	0.101
Mr. Law Fei Shing	5 August 2015	6 August 2015 to 17 July 2018	10,000,000	–	–	10,000,000	0.138
Mr. Shi Hua	5 August 2015	6 August 2015 to 17 July 2018	5,000,000	–	–	5,000,000	0.138
Mr. Shi Jun	5 August 2015	6 August 2015 to 17 July 2018	43,000,000	–	–	43,000,000	0.138
Ms. Shen Mingzhen	5 August 2015	6 August 2015 to 17 July 2018	43,000,000	–	–	43,000,000	0.138
Non-executive Directors							
Mr. Wang Hongjie	5 August 2015	6 August 2015 to 17 July 2018	43,000,000	–	–	43,000,000	0.138
Mr. Cheng Gang	5 August 2015	6 August 2015 to 17 July 2018	43,000,000	–	–	43,000,000	0.138
Independent Non-executive Directors							
Mr. Chan Koon Yung	5 August 2015	6 August 2015 to 17 July 2018	5,000,000	–	–	5,000,000	0.138
Mr. Lai Chun Yu	5 August 2015	6 August 2015 to 17 July 2018	5,000,000	–	–	5,000,000	0.138
Mr. Li Xigang	5 August 2015	6 August 2015 to 17 July 2018	5,000,000	–	–	5,000,000	0.138
			229,000,000	–	–	229,000,000	

OTHER INFORMATION



Name and category of participant	Date of grant	Exercisable period	Number of options				Exercise price per Share HK\$
			Balance at 1 April 2017	Granted during the Period	Exercised during the Period	Balance at 30 September 2017	
Employees							
In aggregate	30 July 2009	31 July 2010 to 17 July 2018	2,000,000	-	-	2,000,000	0.604
In aggregate	6 July 2010	7 July 2010 to 17 July 2018	500,000	-	-	500,000	0.435
In aggregate	25 October 2010	26 October 2010 to 17 July 2018	1,200,000	-	-	1,200,000	0.415
In aggregate	31 March 2012	3 April 2012 to 17 July 2018	3,000,000	-	-	3,000,000	0.101
			6,700,000	-	-	6,700,000	
Third parties							
In aggregate	6 July 2010	7 July 2010 to 17 July 2018	20,000,000	-	-	20,000,000	0.435
In aggregate	25 October 2010	26 October 2010 to 17 July 2018	45,000,000	-	-	45,000,000	0.415
In aggregate	31 March 2012	3 April 2012 to 17 July 2018	66,162,260	-	-	66,162,260	0.101
In aggregate	5 August 2015	6 August 2015 to 17 July 2018	70,000,000	-	-	70,000,000	0.138
			201,162,260	-	-	201,162,260	
Total			436,862,260	-	-	436,862,260	

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPETING BUSINESS

As at 30 September 2017, none of the Directors, substantial shareholders of the Company and their respective associates (as defined in the Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CHANGE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The Change in the information of Directors since the publication of the 2017 Annual Report is set out below pursuant to Rule 13.51B(1) of the Listing Rules.

- (i) Mr. Cheng Gang resigned as a Non-executive Director with effect from 1 October 2017;
- (ii) Mr. Li Xigang resigned as an Independent Non-executive Director and a member of each of audit committee, remuneration committee and nomination committee of the Company with effect from 1 October 2017;
- (iii) Mr. Law Fei Shing, an Executive Director, was appointed as a non-executive director of S. Culture International Holdings Limited (Stock Code: 1255) with effect from 17 June 2017; and
- (iv) Mr. Lum Pak Sum, an Independent Non-executive Director, was appointed as a independent non-executive director of S. Culture International Holdings Limited (Stock Code: 1255) with effect from 17 June 2017.

CORPORATE GOVERNANCE PRACTICES

Throughout the Period, the Company has complied with the Code in so far as they are applicable except for the deviation from Code A.1.1 of the Code.

Code provision A.1.1 of the Code

Code provision A.1.1 of the Code stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the Period, only one regular board meeting was held to review and discuss the annual results. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary.

Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices.

OTHER INFORMATION



AUDIT COMMITTEE REVIEW

The Company has an Audit Committee which was established with written terms of reference, in accordance with Appendix 14 to the Listing Rules, for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting process, internal controls and risk management system. The Audit Committee currently comprises three Independent Non-executive Directors. Mr. Chan Koon Yung is the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and policies adopted by the Group and has discussed and reviewed the internal controls and financial reporting matters of the Group, including the review of the unaudited consolidated interim results of the Group and interim report of the Company for the six months ended 30 September 2017, with the management of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period. No incident of non-compliance was noted by the Company during the Period.

By order of the Board

Anxian Yuan China Holdings Limited

Mr. Shi Hua

Chairman

Hong Kong, 22 November 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 September 2017

	Notes	Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000
REVENUE	4	95,181	74,424
Cost of sales		(22,462)	(19,302)
Gross profit		72,719	55,122
Other income and gains	4	1,294	5,479
Selling and distribution expenses		(9,248)	(7,320)
Administrative expenses		(39,328)	(30,782)
Finance costs	6	(9,771)	(8,461)
Share of profits and losses of an associate		–	(5)
PROFIT BEFORE TAX	5	15,666	14,033
Income tax expense	8	(9,583)	(2,595)
PROFIT FOR THE PERIOD		6,083	11,438
Attributable to:			
Owners of the parent		5,752	11,486
Non-controlling interests		331	(48)
		6,083	11,438
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (<i>HK cents</i>)			
– For profit for the period	10	0.08	0.17
Diluted (<i>HK cents</i>)			
– For profit for the period	10	0.08	0.16

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2017



Unaudited
Six months ended
30 September
2017 **2016**
HK\$'000 **HK\$'000**

PROFIT FOR THE PERIOD	6,083	11,438
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	29,305	(21,258)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	29,305	(21,258)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	35,388	(9,820)
Attributable to:		
Owners of the parent	32,987	(8,160)
Non-controlling interests	2,401	(1,660)
	35,388	(9,820)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2017

	<i>Notes</i>	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	100,931	98,641
Deposits for acquisition of property, plant and equipment	20	10,175	–
Investment properties	12	382	512
Intangible assets	13	459,777	441,439
Goodwill	14	13,154	12,589
Investment in an associate	15	4,473	4,281
Available-for-sale investments	16	2,354	2,253
Cemetery assets	17	235,244	229,857
Total non-current assets		826,490	789,572
CURRENT ASSETS			
Inventories	18	201,959	182,578
Trade receivables	19	1,542	2,451
Prepayments, deposits and other receivables	20	69,889	70,335
Cash and cash equivalents	21	31,006	110,140
Total current assets		304,396	365,504
CURRENT LIABILITIES			
Trade payables	22	49,659	47,980
Other payables and accruals	23	33,078	44,021
Deferred income	24	3,202	2,974
Interest-bearing bank and other borrowings	25	49,094	165,476
Amount due to non-controlling shareholders	26	8,187	7,836
Liability component of convertible bonds	27	–	48,477
Derivative component of convertible bonds	27	–	1,000
Tax payable		14,249	12,913
Total current liabilities		157,469	330,677
NET CURRENT ASSETS		146,927	34,827
TOTAL ASSETS LESS CURRENT LIABILITIES		973,417	824,399

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2017



	<i>Notes</i>	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	247,694	141,497
Deferred income	24	13,654	12,838
Deferred tax liabilities		122,406	115,789
Total non-current liabilities		383,754	270,124
Net assets		589,663	554,275
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	543,445	543,445
Reserves		(1,594)	(34,581)
Non-controlling interests		541,851	508,864
		47,812	45,411
Total equity		589,663	554,275

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2017

	Unaudited										
	Attributable to owners of the parent										
	Share capital HK\$'000	Share premium account* HK\$'000	Share-based compensation reserve* HK\$'000	Convertible notes reserve* HK\$'000	Statutory reserve fund* HK\$'000	Exchange fluctuation reserve* HK\$'000	Other reserve* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2017	543,445	229,394	24,367	67,073	9,934	(34,902)	(11,458)	(818,989)	508,864	45,411	554,275
Profit for the Period	-	-	-	-	-	-	-	5,752	5,752	331	6,083
Other comprehensive income for the Period: Exchange differences on translation of foreign operations	-	-	-	-	-	27,235	-	-	27,235	2,070	29,305
Total comprehensive income for the Period	-	-	-	-	-	27,235	-	5,752	32,987	2,401	35,388
Transfer from retained profits	-	-	-	-	1,085	-	-	(1,085)	-	-	-
At 30 September 2017	543,445	229,394	24,367	67,073	11,019	(7,667)	(11,458)	(814,322)	541,851	47,812	589,663

* These reserve accounts comprise the consolidated reserves as at 30 September 2017 and 31 March 2017 in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2017

	Unaudited										
	Attributable to owners of the parent										
	Share capital HK\$'000	Share premium account* HK\$'000	Share-based compensation reserve* HK\$'000	Convertible notes reserve* HK\$'000	Statutory reserve fund* HK\$'000	Exchange fluctuation reserve* HK\$'000	Other reserve* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2016	543,445	229,394	24,367	67,073	7,409	3,854	(11,458)	(822,704)	541,380	48,907	590,287
Profit/(loss) for the period	-	-	-	-	-	-	-	11,486	11,486	(48)	11,438
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(19,646)	-	-	(19,646)	(1,612)	(21,258)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(19,646)	-	11,486	(8,160)	(1,660)	(9,820)
Transfer from retained profits	-	-	-	-	938	-	-	(938)	-	-	-
At 30 September 2016	543,445	229,394	24,367	67,073	8,347	(15,792)	(11,458)	(812,156)	533,220	47,247	580,467



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2017

	Unaudited	
	Six months ended 30 September 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000
Net cash flows generated from/(used in) operating activities	695	(9,067)
Net cash flows used in investing activities	(12,574)	(41,040)
Net cash flows (used in)/generated from financing activities	(69,423)	4,984
NET DECREASE IN CASH AND CASH EQUIVALENTS	(81,302)	(45,123)
Cash and cash equivalents at beginning of period	110,140	109,911
Effect of foreign exchange rate changes, net	2,168	(3,045)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	31,006	61,743
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	31,006	61,743

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



1. CORPORATE AND GROUP INFORMATION

Anxian Yuan China Holdings Limited is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's principal place of business in Hong Kong is 9th Floor, Cheuk Nang Plaza, 250 Hennessy Road, Wanchai, Hong Kong. During the Period, the Group principally engaged in the cemetery business in the PRC.

In the opinion of the Directors, the controlling shareholder of the Company is Mr. Shi Hua.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the Period have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by HKICPA and with the application disclosure requirements of the Listing Rules.

These financial statements have been prepared under the historical cost convention. They are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

These financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017.

2.2 NEW AND REVISED HKFRSS ADOPTED BY THE GROUP

Except as described below, the accounting policies used in the unaudited interim condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017. In the Period, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's unaudited interim condensed consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendment requires entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its unaudited interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 March 2018.

The application of the above amendments to HKFRSs in the Period has had no material effect on the amounts reported in the unaudited interim condensed consolidated financial statements and/or disclosures set out in these financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

2.2 NEW AND REVISED HKFRSS ADOPTED BY THE GROUP (CONTINUED)

Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle – 2014-2016

Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The adoption of the amendments has no impact on these unaudited interim condensed consolidated financial statements as the Group has no these interests that is classified as held for sale.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the cemetery business. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Mainland China	95,181	74,424

The revenue information above is based on the location of the customers.

(b) Non-current assets

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
	Hong Kong	620
Mainland China	823,516	786,570
	824,136	787,319

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

No revenue from a single customer accounted for 10% or more of the Group's revenue during the six months ended 30 September 2017 and 30 September 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of products sold, after allowances for returns and trade discounts; and the value of services rendered during the Period.

An analysis of revenue, other income and gains is as follows:

	Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Revenue		
Sales of tombs and niches	84,550	63,849
Management fee income	1,398	1,370
Burial service	8,787	8,848
Sales of funeral supplies	446	357
	95,181	74,424
Other income and gains		
Gain on disposal of items of property, plant and equipment	188	12
Bank interest income	106	55
Fair value gain of derivative component of convertible bonds (<i>note 27</i>)	1,000	5,100
Others	–	312
	1,294	5,479

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Unaudited	
	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
Cost of inventories sold	15,948	13,116
Cost of services provided	2,063	1,988
Employee benefit expense (excluding directors' and chief executive's remuneration (note 7)):		
– Wages and salaries	18,058	15,042
Amortisation of intangible assets (note 13)*	1,446	1,318
Amortisation of cemetery assets (note 17)*	3,010	2,880
Auditors' remuneration	641	600
Depreciation		
– Property, plant and equipment (note 11)	4,713	4,522
– Investment properties (note 12)	150	152
Foreign exchange differences, net	(72)	(236)
Minimum lease payments under operating leases	2,011	1,693

* The amortisation of intangible assets and cemetery assets for the Period are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Unaudited	
	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
Interest on interest-bearing bank borrowings (including convertible bonds)	16,130	16,303
Total interest expense	16,130	16,303
Less: Interest capitalised	(6,359)	(7,842)
	9,771	8,461



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Period, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Fees	225	180
Other emoluments:		
Salaries, allowances and benefits in kind	2,760	3,110
Pension scheme contributions	27	44
	2,787	3,154
	3,012	3,334

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent Non-executive Directors

The fees paid to Independent Non-executive Directors during the Period were as follows:

	<i>Notes</i>	Salaries, allowances and benefits in kind HK\$'000
Six months ended 30 September 2017		
Independent Non-executive Directors:		
Mr. Chan Koon Yung		60
Mr. Li Xigang	<i>(ii)</i>	60
Mr. Lai Chun Yu		60
Mr. Lam Pak Sum	<i>(i)</i>	45
		225
Six months ended 30 September 2016		
Independent Non-executive Directors:		
Mr. Chan Koon Yung		60
Mr. Li Xigang	<i>(ii)</i>	60
Mr. Lai Chun Yu		60
		180

There were no other emoluments payable to the Independent Non-executive Directors during the Period (2016: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive Directors and Non-executive Directors

	<i>Notes</i>	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Six months ended 30 September 2017				
Executive Directors:				
Mr. Shi Hua		780	–	780
Mr. Shi Jun		660	9	669
Mr. Law Fei Shing		600	9	609
Ms. Shen Mingzhen		600	9	609
Mr. Cheng Gang	<i>(iii)</i>	–	–	–
		2,640	27	2,667
Non-executive Directors:				
Mr. Wang Hongjie		60	–	60
Mr. Cheng Gang	<i>(iii)</i>	60	–	60
		2,760	27	2,787
Six months ended 30 September 2016				
Executive Directors:				
Mr. Shi Hua		780	9	789
Mr. Shi Jun		660	9	669
Mr. Law Fei Shing		600	9	609
Ms. Shen Mingzhen		600	9	609
Mr. Cheng Gang	<i>(iii)</i>	400	8	408
		3,040	44	3,084
Non-executive Directors:				
Mr. Wang Hongjie		60	–	60
Mr. Cheng Gang	<i>(iii)</i>	10	–	10
		3,110	44	3,154

Notes: (i) Appointed as Independent Non-executive Director on 15 May 2017.

(ii) Resigned as Independent Non-executive Director with effect from 1 October 2017.

(iii) Re-designated as Non-executive Director on 1 September 2016 and resigned as Non-executive Director with effect from 1 October 2017.

There was no arrangement under which a Director or the chief executive waived or agreed to waive any remuneration during the Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in that jurisdiction.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.

Provision for Mainland China current income tax is based on the statutory rate of 25% (2016: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

The major components of income tax expense are as follows:

	Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Current tax		
Income tax in the PRC for the period	7,621	4,933
Reversal of overprovision in prior years	–	(4,006)
Deferred tax	1,962	1,668
Total tax charge for the period	9,583	2,595

9. DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (2016: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,934,453,000 (2016: 6,934,453,000) in issue during the Period.

The calculation of the diluted earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds and fair value gain on derivative component of convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

No adjustment has been made to the basic earnings per share amounts presented for the Period in respect of a dilution as the impact of convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	5,752	11,486
Interest on convertible bonds (<i>note 27</i>)	2,873	5,184
Less: Fair value gain on the derivative component of convertible bonds (<i>note 4</i>)	(1,000)	(5,100)
Profit attributable to ordinary equity holders of the parent, before the effect of convertible bonds	7,625*	11,570
Shares		
Unaudited Six months ended 30 September		
	2017	2016
	Number of shares ('000)	Number of shares ('000)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,934,453	6,934,453
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	13,282
Convertible bonds	42,079	333,889
	6,976,532*	7,281,624

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the Period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the Period of HK\$5,752,000 and the weighted average number of ordinary shares of 6,934,453,000 in issue during the Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



11. PROPERTY, PLANT AND EQUIPMENT

	Unaudited				Total HK\$'000
	Buildings HK\$'000	Furniture fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	
Cost:					
At 31 March 2017 and 1 April 2017	99,633	6,406	12,248	1,099	119,386
Additions	293	2,870	-	12	3,175
Disposals	(356)	-	(1,493)	-	(1,849)
Exchange realignment	4,471	266	478	26	5,241
At 30 September 2017	104,041	9,542	11,233	1,137	125,953
Accumulated depreciation:					
At 31 March 2017 and 1 April 2017	(10,883)	(2,673)	(6,202)	(987)	(20,745)
Charge for the Period	(2,893)	(830)	(970)	(20)	(4,713)
Disposals	356	-	1,011	-	1,367
Exchange realignment	(540)	(116)	(254)	(21)	(931)
At 30 September 2017	(13,960)	(3,619)	(6,415)	(1,028)	(25,022)
Net carrying amount:					
At 31 March 2017	88,750	3,733	6,046	112	98,641
At 30 September 2017	90,081	5,923	4,818	109	100,931

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Audited				Total HK\$'000
	Buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	
Cost:					
At 31 March 2016 and 1 April 2016	103,431	5,822	11,493	1,121	121,867
Additions	2,556	914	1,748	16	5,234
Disposals	–	–	(338)	–	(338)
Exchange realignment	(6,354)	(330)	(655)	(38)	(7,377)
At 31 March 2017	99,633	6,406	12,248	1,099	119,386
Accumulated depreciation:					
At 31 March 2016 and 1 April 2016	(5,846)	(1,269)	(4,548)	(759)	(12,422)
Charge for the year	(5,513)	(1,473)	(2,101)	(251)	(9,338)
Disposals	–	–	147	–	147
Exchange realignment	476	69	300	23	868
At 31 March 2017	(10,883)	(2,673)	(6,202)	(987)	(20,745)
Net carrying amount:					
At 31 March 2016	97,585	4,553	6,945	362	109,445
At 31 March 2017	88,750	3,733	6,046	112	98,641

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



12. INVESTMENT PROPERTIES

	HK\$'000
Cost:	
Audited	
At 31 March 2016 and 1 April 2016	2,520
Exchange realignment	(155)
At 31 March 2017	2,365
Unaudited	
At 1 April 2017	2,365
Exchange realignment	106
At 30 September 2017	2,471
Accumulated depreciation:	
Audited	
At 31 March 2016 and 1 April 2016	(1,663)
Charge for the year	(299)
Exchange realignment	109
At 31 March 2017	(1,853)
Unaudited	
At 1 April 2017	(1,853)
Charge for the Period	(150)
Exchange realignment	(86)
At 30 September 2017	(2,089)
Net carrying amount:	
At 31 March 2017 (Audited)	512
At 30 September 2017 (Unaudited)	382

As at 30 September 2017, investment properties with a carrying amount of HK\$382,000 (31 March 2017: HK\$512,000) represent certain restricted properties situated in Mainland China which are not allowed to be traded in the open market until, in future, the PRC government seizes the land on which the investment properties are situated and the estimated compensation payable to the Group will be RMB2,100,000, equivalent to approximately HK\$2,472,000.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

12. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 30 September 2017 using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for: Investment properties	–	–	2,472	2,472

The key input of the valuation is based on the estimated compensation recoverable when the piece of land is seized by the PRC government in the future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



13. INTANGIBLE ASSETS

	HK\$'000
Cost:	
Audited	
At 1 April 2016	488,373
Exchange realignment	(30,002)
At 31 March 2017	458,371
Unaudited	
At 1 April 2017	458,371
Exchange realignment	20,568
At 30 September 2017	478,939
Accumulated amortisation:	
Audited	
At 1 April 2016	(15,284)
Charge for the year	(2,643)
Exchange realignment	995
At 31 March 2017	(16,932)
Unaudited	
At 1 April 2017	(16,932)
Charge for the Period	(1,446)
Exchange realignment	(784)
At 30 September 2017	(19,162)
Net carrying amount:	
At 31 March 2017 (Audited)	441,439
At 30 September 2017 (Unaudited)	459,777

Intangible assets represent cemetery operating licences, which were acquired by business combination of Zhejiang Anxian Yuan in the year of 2010 and of Yin Chuan Fu Shou Yuan and Zunyi Dashenshan in the year ended 31 March 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

14. GOODWILL

	Unaudited Six months ended 30 September 2017 HK\$'000	Audited year ended 31 March 2017 HK\$'000
Cost:		
At 1 April 2017 and 1 April 2016	12,589	13,340
Exchange realignment	565	(751)
At 30 September 2017 and 31 March 2017	13,154	12,589

15. INVESTMENT IN AN ASSOCIATE

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Share of net assets	4,413	4,224
Goodwill on acquisition	60	57
	4,473	4,281

16. AVAILABLE-FOR-SALE INVESTMENTS

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Unlisted equity investments, at cost	2,354	2,253

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 30 September 2017, the above unlisted equity investments with a carrying amount of HK\$2,354,000 (31 March 2017: HK\$2,253,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose them in the near future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



17. CEMETERY ASSETS

	Land costs HK\$'000	Landscape facilities HK\$'000	Total HK\$'000
Cost			
Audited			
At 1 April 2016	27,264	215,202	242,466
Additions	–	34,823	34,823
Transfer to inventories	(399)	(4,281)	(4,680)
Exchange realignment	(1,675)	(13,294)	(14,969)
At 31 March 2017	25,190	232,450	257,640
Unaudited			
At 1 April 2017	25,190	232,450	257,640
Additions	–	896	896
Transfer to inventories	(523)	(2,457)	(2,980)
Exchange realignment	1,131	10,866	11,997
At 30 September 2017	25,798	241,755	267,553
Accumulated amortisation:			
Audited			
At 1 April 2016	(128)	(23,864)	(23,992)
Provided for the year	(500)	(5,230)	(5,730)
Eliminated on transfer	62	279	341
Exchange realignment	19	1,579	1,598
At 31 March 2017	(547)	(27,236)	(27,783)
Unaudited			
At 1 April 2017	(547)	(27,236)	(27,783)
Provided for the Period	(250)	(2,760)	(3,010)
Eliminated on transfer	83	138	221
Exchange realignment	(29)	(1,708)	(1,737)
At 30 September 2017	(743)	(31,566)	(32,309)
Carrying value:			
At 31 March 2017 (Audited)	24,643	205,214	229,857
At 30 September 2017 (Unaudited)	25,055	210,189	235,244

Cemetery assets mainly represent land costs and the construction cost of public facilities in the cemetery.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

18. INVENTORIES

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Inventories		
– Tombs	201,959	182,578

As at 30 September 2017, inventories of approximately HK\$166,867,000 (31 March 2017: HK\$151,355,000) are expected to be recovered in more than one year.

19. TRADE RECEIVABLES

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Trade receivables	1,542	2,451

The Group's trading terms with its customers are mainly on credit, except for certain new customers, where payment in advance is required. The average trade credit period ranges from 30 to 365 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk.

Trade receivables are unsecured and non-interest-bearing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



19. TRADE RECEIVABLES (CONTINUED)

An aging analysis of the trade receivables as at the end of the Period, based on the invoice date and net of provisions, is as follows:

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
61 to 90 days	1,542	2,451

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Neither past due nor impaired	1,542	2,451

Management believes that no impairment allowance is necessary in respect of these balances as the balances are considered to be fully recoverable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Prepayments	26,496	14,610
Deposits and other receivables	129,094	131,206
	155,590	145,816
Provision for impairment loss	(75,526)	(75,481)
	80,064	70,335
	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Analysed into:		
Current	69,889	70,335
Non-current	10,175	–
	80,064	70,335

As at 30 September 2017, other receivable with a carrying amount of HK\$41,193,000 represented earnest money paid to the shareholders of Jining Yongan Charity Business Co., Ltd. ("Jining Yongan", a company with limited liability established in the PRC) for a proposed acquisition of the entire equity of Jining Yongan (the "Jining Acquisition"), refundable from the shareholders of Jining Yongan as the Jining Acquisition did not proceed. The Directors are of the view that impairment provision is not required as refund of the earnest money is secured by the entire equity of Jining Yongan, among which, 40% of the equity interest was pledged to the Group under registration in local Administration Bureau for Industry and Commerce, and the transfer of 60% of the equity interest to Shanghai Anxian Yuan, a subsidiary of the Group. In the opinion of the Directors, such equity shares were only for guarantee purpose. The latter is for protection of the Group in respect of the collection of the earnest money refundable, and the Group did not participate in any operating or decision making of Jining Yongan. The amount is non-interest-bearing. Other receivable with a carrying amount of HK\$10,592,000 represented a loan provided to one of the shareholders of Jining Yongan. The loan is interest-free, repayable on demand, and secured by the 60% of the equity interest of Jining Yongan transferred to Shanghai Anxian Yuan as set out above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Except for the above earnest money and loan, the Group did not hold any collateral in respect of these balances.

Except for those amounts with provision for impairment as set out above, the Directors consider that the fair values of deposits and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because of the short maturity periods on their inception.

All deposits and other receivables that are neither individually nor collectively considered to be impaired are neither past due nor impaired and are due from counterparties for whom there was no recent history of default. Management considers that deposits and other receivables that were neither past due nor impaired for each of the reporting dates are of good credit quality.

The movements in the provision for impairment loss on other receivables are as follows:

	Unaudited Six months ended 30 September 2017 HK\$'000	Audited Year ended 31 March 2017 HK\$'000
At 1 April 2017/1 April 2016	75,481	74,467
Provided during the Period/year	–	1,014
Exchange realignment	45	–
At 30 September 2017/31 March 2017	75,526	75,481

21. CASH AND CASH EQUIVALENTS

As at 30 September 2017, the cash and cash equivalents of the Group denominated in Renminbi (“RMB”) amounted to HK\$25,920,000 (31 March 2017: HK\$98,852,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. All cash and bank balances held at each of the reporting dates were deposited in the reputable banks and financial institutions in Hong Kong and Mainland China.

As at 30 September 2017 and 31 March 2017, none of the Group’s deposits were pledged.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

22. TRADE PAYABLES

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Trade payables	49,659	47,980

An aging analysis of the trade payables as at the end of Period, based on the invoice date, is as follows:

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Within 90 days	16,846	17,676
91 to 180 days	5,364	1,158
181 to 365 days	73	55
Over 1 year	27,376	29,091
	49,659	47,980

The trade payables are non-interest-bearing and are normally settled on terms ranging from 90 days to 365 days.

23. OTHER PAYABLES AND ACCRUALS

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Accruals	4,529	12,899
Deposits received	22,013	28,582
Other payables	6,536	2,540
	33,078	44,021

Other payables are non-interest-bearing and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



24. DEFERRED INCOME

	HK\$'000	
Audited		
1 April 2016		16,836
Additions during the year		2,636
Released to profit or loss		(2,682)
Exchange realignment		(978)
At 31 March 2017		15,812
Unaudited		
As at 1 April 2017		15,812
Additions during the Period		1,759
Released to profit or loss		(1,398)
Exchange realignment		683
At 30 September 2017		16,856
	Unaudited	Audited
	As at	As at
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
Analysed into:		
Current	3,202	2,974
Non-current	13,654	12,838
	16,856	15,812

The balances represent ten-year management fees received in advance in respect of tombs and columbarium niches sold. Management fee receipts in advance are credited to revenue on the straight-line basis over the contractual periods (which are generally ten years).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

Unaudited As at 30 September 2017			
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans			
– guaranteed (<i>note (a)</i>)	5.66 – 6.09	October 2017 – July 2018	35,308
Current portion of long term bank loans			
– secured (<i>note (b)</i>)	4.90	October 2017	13,429
Other borrowings			
– unsecured	9.24 – 12.00	October 2017 – August 2018	357
			49,094
Non-current			
Bank loans			
– Secured (<i>note (b)</i>)	4.90	October 2018 – October 2023	147,694
Other borrowings			
– unsecured (<i>note (c)</i>)	15.00	May 2019	100,000
			247,694
			296,788

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



25. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Audited
As at 31 March 2017

	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans			
– guaranteed (<i>note (a)</i>)	5.66 – 6.00	July 2017 – October 2017	61,952
Current portion of long term bank loans			
– secured (<i>note (b)</i>)	4.90	October 2017	12,852
Other borrowings			
– unsecured	9.24 – 12.00	June 2017 – March 2018	731
Bonds payable			
– secured (<i>note (d)</i>)	7.61 (Semi-annually)	November 2017	89,941
			165,476
Non-current			
Bank loans			
– Secured (<i>note (b)</i>)	4.90	October 2018 – October 2023	141,351
Other borrowings			
– unsecured	9.24	August 2018	146
			141,497
			306,973

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	48,737	74,804
In the second year	13,429	12,852
In the third to fifth years, inclusive	134,265	128,499
	196,431	216,155
Other borrowings repayable:		
Within one year or on demand	357	90,672
In the second year	100,000	146
	100,357	90,818
	296,788	306,973

Notes:

- (a) The balances are guaranteed by certain Directors and their family members, and a non-controlling shareholder of a subsidiary.
- (b) The balances were secured by non-controlling shareholders' shares in subsidiaries and buildings owned by a non-controlling shareholder. The balances are guaranteed by certain Directors and a non-controlling shareholder of a subsidiary.
- (c) The balance represents a loan provided by Excel Precise International Limited ("Excel Precise") in the amount of HK\$100,000,000. Excel Precise is a holder of a money lenders licence under the Money Lenders Ordinance and is owned as to 25% by Mr. Law Fei Shing ("Mr. Law"), an Executive Director, and owned as to 73.5% by True Promise Investments Limited ("True Promise"), a company wholly-owned by Mr. Law. Mr. Law is the director of both Excel Precise and True Promise.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



25. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

- (d) On 17 November 2015, the Company issued bonds with a principle amount of HK\$90,000,000 at an interest rate of 10% per annum, payable semi-annually in arrears on 17 May and 17 November in each year. The bonds will mature on 16 November 2017 (the "initial maturity date") unless the Company delivers written notice to the bondholders no earlier than 60 days and at least fifteen business days prior to the initial maturity date to extend for a further 12-months.

Unless previously redeemed, any outstanding bonds shall be redeemed on the maturity date at redemption amount of the 100% outstanding principle amount plus outstanding interest and other payment accrued and outstanding.

The bondholder may require the Company to redeem the bonds upon the occurrence of any of the events of default as stipulated in the agreement at the redemption amount of the 100% outstanding principle amount plus interests and premium which will provide the bondholder with an annual compounded cumulative internal rate of return of 20% per annum on such redemption amount.

The bonds are guaranteed by Mr. Shi Hua, and secured by Mr. Shi Hua's shares in the Company.

On 16 May 2017, the Company and all interest party concerned entered into the deed of termination and release pursuant to which the parties mutually agreed for the early redemption and termination of the guaranteed and secured bonds in full at the redemption price equivalent to an amount of HK\$96,657,000 together with all outstanding and unpaid interest accrued and referral fee.

- (e) Except for the bonds payable which were denominated in Hong Kong dollars, all borrowings are denominated in RMB.

26. AMOUNT DUE TO NON-CONTROLLING SHAREHOLDERS

As at 30 September 2017, the amount due to non-controlling shareholders of HK\$8,187,000 (31 March 2017: HK\$7,836,000) was non-trade in nature, unsecured, interest-free and repayable on demand.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

27. CONVERTIBLE BONDS

On 17 November 2015 (the “issue date”), the Company issued convertible bonds (the “CB”) with a principle amount of HK\$50,000,000 with an initial conversion price of HK\$0.14975 per ordinary share of the Company (subject to certain anti-dilutive adjustments). The CB will mature on 16 November 2017 (the “initial maturity date”) unless the Company delivers written notice to the bondholders no earlier than 60 days and at least fifteen business days prior to the initial maturity date to extend for a further 12-months.

Pursuant to the bond subscription agreement, the CB is:

- (a) convertible at the option of the bondholders into ordinary shares of the Company at any time from the issue date to the maturity date; and
- (b) redeemable at the option of the bondholder upon the occurrence of any of the events of default as stipulated in the agreement at redemption amount of the 100% outstanding principle amount plus interests and premium which will provide the bondholder with an annual compounded cumulative internal rate of return of 20% per annum on such redemption amount.

The coupon interest rate is 7.0% per annum, payable semi-annually in arrears on 17 May and 17 November in each year. Unless previously redeemed, or converted to ordinary shares of the Company, any outstanding CB shall be redeemed on the maturity date at the redemption amount of the 100% outstanding principle amount plus outstanding interest and a premium which will provide the bondholder with an annual compounded cumulative internal rate of return of 10% per annum on such redemption amount.

The convertible bonds are guaranteed by Mr. Shi Hua, and secured by Mr. Shi Hua’s shares in the Company.

Since the conversion options embedded in the CB do not meet the definition of equity instruments of the Company, the entire convertible bonds are accounted for as financial liabilities, and separated into the host debt component and embedded derivative component. On issuance of the convertible bonds, the fair value of the derivative component is determined using an option pricing model and this amount is accounted for as financial liabilities at fair value through profit or loss. The host debt component is initially recognised as the excess of proceeds over the amount initially recognised as the derivative component, net of transaction costs allocated to the host debt component, and is subsequently measured at amortised cost.

On 16 May 2017, the Company and all interest parties concerned entered into the deed of termination and release pursuant to which the parties mutually agreed for the early redemption and termination of the guaranteed and secured convertible bonds in full at the redemption price equivalent to an amount of HK\$55,199,000 together with all outstanding and unpaid interest accrued and referral fee.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



27. CONVERTIBLE BONDS (CONTINUED)

The convertible bonds recognised on initial recognition are as follows:

	HK\$'000
Nominal value of convertible bonds issued	50,000
Direct transaction costs attributable to the host debt component	(169)
Initial embedded derivative component	(17,300)
Host debt component on initial recognition upon issuance	32,531

The movements in the host debt component for the Period and the year ended 31 March 2017 are as follows:

	Unaudited Six months ended 30 September 2017 HK\$'000	Audited Year ended 31 March 2017 HK\$'000
Host debt component at 1 April	48,477	34,000
Interest expense	2,873	22,100
Interest payable	(1,350)	(7,623)
Redemption	(50,000)	–
Host debt component at 30 September 2017 and 31 March 2017	–	48,477

Interest expenses on the CB are calculated using the effective interest method by applying the effective interest rate of 25.07% semi-annually to the host debt component.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

27. CONVERTIBLE BONDS (CONTINUED)

The movements in the derivative component embedded in the CB for the Period and the year ended 31 March 2017 are as follows:

	Unaudited Six months ended 30 September 2017 HK\$'000	Audited Year ended 31 March 2017 HK\$'000
Embedded derivatives component at 1 April 2017 and 1 April 2016	1,000	9,700
Fair value changes recognised in the statement of profit or loss (<i>note 4</i>)	(1,000)	(8,700)
Embedded derivatives component at 30 September 2017 and 31 March 2017	–	1,000

As at 31 March 2017, the fair value of the derivative component was determined based on the valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers, using the applicable option pricing model.

28. CONVERTIBLE NOTES

On 7 January 2013, the Company issued convertible notes (“CN”) with a principal amount of HK\$330,000,000 as part of the consideration for the Group’s acquisition of the entire issued share capital of Jia Yuan, which through Hirise, indirectly holds 47.38% equity interests in Zhejiang Anxian Yuan.

The CN are unsecured, non-interest-bearing and will mature on the 5th anniversary of the date of issue of the CN (the “Maturity Date”). The conversion price, subject to the anti-dilution adjustments, is HK\$0.10 per conversion share. The CN can be converted in whole or in part into conversion shares at any time following the date of issue until one working day prior to the Maturity Date. Any CN which remain outstanding on the Maturity Date shall be converted automatically into the conversion shares unless such conversion will result in (1) a holder of the CN and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 29% or more of the entire issued shares of the Company or such percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Merger as being the level for triggering a mandatory general offer, whichever is lower, or (2) the Company will be in breach of the minimum public float requirement under the Listing Rules. In such events, the maturity date of the CN will be extended for further 5 years. Any CN which remain outstanding on the extended maturity date shall be converted automatically into the conversion shares. All outstanding CN which are not converted thereafter will be cancelled by the Company and fully waived without any cost or will not be converted into the debt of the Company. Holders of the CN will have no right to redeem and the Company has no obligation to repay the outstanding amount.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



28. CONVERTIBLE NOTES (CONTINUED)

The CN are accounted for as an equity instrument in accordance with HKAS 32 as the entire number of the CN must be converted into conversion shares on or before the Maturity Date or the extended maturity date of this CN, and anti-dilution adjustment clauses in the CN do not breach the fixed-for-fixed rule in HKAS 32. The fair value of the CN at the date of issue was carried out by LCH (Asia-Pacific) Surveyors Limited. The CN were priced as prepaid forward, an arrangement in which one can pay for the stock today and receive the stock at an agreed-upon date. Generally, the price of a prepaid forward is equal to the spot asset price. In valuing the CN, adjustment has been made for the dilution effect of the issue of the CN.

On 7 January 2013, the CN were issued at the fair value of approximately HK\$147,560,000 and were recognised as convertible notes reserve in the consolidated statement of changes in equity of the Group. The reserve will be realised when the CN are converted or cancelled.

On 23 April 2013 and 24 December 2013, part of the CN with an aggregate amount of HK\$85,000,000 and HK\$47,000,000 were converted at the conversion price of HK\$0.10 each into 850,000,000 and 470,000,000 ordinary shares of the Company at HK\$0.10 each, respectively.

On 25 February 2015 and 25 March 2015, part of the CN with an aggregate amount of HK\$30,000,000 and HK\$15,000,000 were converted at the conversion price of HK\$0.10 each into 300,000,000 and 150,000,000 ordinary shares of the Company at HK\$0.10 each, respectively.

On 6 July 2015, part of the CN with an aggregate amount of HK\$3,000,000 were converted at the conversion price of HK\$0.10 each into 30,000,000 ordinary shares of the Company at HK\$0.10 each.

29. SHARE CAPITAL

Shares

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Issued and fully paid:		
5,434,453,000 (31 March 2017: 5,434,453,000) ordinary shares	543,445	543,445

A summary of movements in the Company's share capital is as follows:

	Number of shares ('000)	Nominal value HK\$'000
Audited		
At 31 March 2016 and 31 March 2017	5,434,453	543,445
Unaudited		
At 1 April 2017 and 30 September 2017	5,434,453	543,445

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

30. COMMITMENTS

The Group had the following capital commitments at the end of the Period:

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Contracted, but not provided for:		
Proposed acquisition of land use rights	9,416	9,011
Project construction	1,379	2,110
Acquisition of property, plant and equipment	8,911	–
	19,706	11,121

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the Period.

(a) Other transactions with related parties

	Unaudited Six months ended 30 September 2017 HK\$'000	2016 HK\$'000
Consultancy fee to non-controlling shareholder in which the controlling shareholder of the Company has control (<i>note i</i>)	448	–
Rental expenses to non-controlling shareholder in which the controlling shareholder of the Company has control (<i>note i</i>)	48	–
Interest expenses to a related company in which one of the Executive Directors has control (<i>note ii</i>)	5,666	–
	6,162	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017



31. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Other transactions with related parties (Continued)

Notes:

- (i) These transactions constitute a de minimis transactions under Rule 14A.76(1)(c) of Chapter 14A of the Listing Rules and are therefore fully exempted from all disclosure requirements.
- (ii) As the borrowing is not secured by any asset of the Group and as the Directors consider that the borrowing is on normal commercial terms or better, the borrowing is fully exempted from the Shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

The Company has guaranteed the bank borrowings, bonds payable and convertible bonds with all assets and undertakings of Mr. Shi Hua and the controlling shareholder, including shares of the Company. Details are set out in note 25, note 27 and note 28 to the financial statements.

(b) Outstanding balances with related parties

The Group had outstanding balance to the non-controlling shareholders (note 26) and other borrowings to a related company (note 25) as at the end of the Period.

(c) Compensation of key management personnel of the Group

The Directors are of the opinion that the key management are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and are defined as the Executive Directors, Non-executive Directors and the Chief Executive Officer of the Company. Details of the key management remuneration are set out in note 7 to the financial statements.

32. EVENTS AFTER THE REPORTING DATE

On 15 November 2017, part of the CN, which are accounted for as an equity instrument, with an aggregate amount of HK\$35,000,000 were converted at the conversion price of HK\$0.10 each into 350,000,000 ordinary shares of the Company at HK\$0.10 each.

33. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 22 November 2017.

In this interim report, the following expressions shall have the following meanings unless the context otherwise requires:

Board	the board of Directors
Chairman	the chairman of the Board
Chief Executive Officer	the chief executive officer of the Company
Code	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules
Company/Anxian Yuan	Anxian Yuan China Holdings Limited, a company incorporated in the Bermuda with limited liability and the issued Shares are listed on the Stock Exchange
Company Secretary	The company secretary of the Company
Director(s)	the director(s) of the Company
Executive Director(s)	the executive Director(s)
Group	the Company and its subsidiaries
Hirise	Hirise Corporation Limited
HKAS	the Hong Kong Accounting Standards issued by the HKICPA
HKFRS(s)	the Hong Kong Financial Reporting Standards, collectively includes all applicable individual Hong Kong Financial Reporting Standards, HKAS and Interpretations issued by the HKICPA
HKICPA	the Hong Kong Institute of Certified Public Accountants
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Independent Non-executive Director(s)	the independent non-executive Director(s)
Jia Yuan	Jia Yuan Trading Limited
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules

GLOSSARY



Non-executive Director(s)	the non-executive Director(s)
Period	the six months ended 30 September 2017
PRC	the People's Republic of China, which for the purpose of this report exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	the ordinary share(s) of HK\$0.1 each in the share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
Share Option Scheme	the share option scheme adopted by the Company on 18 July 2008
Stock Exchange	The Stock Exchange of Hong Kong Limited
Yin Chuan Fu Shou Yuan	銀川福壽園人文紀念園有限公司 (in English, for identification purpose, Yin Chuan Fu Shou Yuan Humanistic Cultural Memorial Park Co. Ltd.), a limited liability company established under the laws of the PRC
Zhejiang Anxian Yuan	浙江安賢陵園有限責任公司 (in English, for identification purpose, Zhejiang Anxian Yuan Company Limited), a limited liability company established under the laws of the PRC
Zunyi Dashenshan	遵義詩鄉大神山生態陵園有限公司 (in English, for identification purpose, Zunyi Shixiang Dashenshan Cemeteries Co. Ltd.), a limited liability company established under the laws of the PRC
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of PRC
US\$	United States dollars, the lawful currency of USA
%	per cent