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ANXIAN YUAN CHINA HOLDINGS LIMITED

安賢園中國控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00922)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2020**

ANNUAL RESULTS

The Board is pleased to announce the consolidated results of the Group for the Year together with the comparative figures for the year ended 31 March 2019 as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	5	286,990	223,120
Cost of sales		<u>(105,824)</u>	<u>(79,486)</u>
Gross profit		181,166	143,634
Other income and gains	5	1,803	4,995
Selling and distribution expenses		(27,189)	(21,076)
Administrative expenses		(74,995)	(86,901)
Finance costs	7	(4,118)	(5,387)
Share of profit of an associate		<u>–</u>	<u>139</u>
PROFIT BEFORE INCOME TAX	6	76,667	35,404
Income tax expense	8	(24,132)	<u>(18,366)</u>
PROFIT FOR THE YEAR		<u>52,535</u>	<u>17,038</u>
Profit/(Loss) for the year attributable to:			
Owners of the Company		53,641	17,082
Non-controlling interests		(1,106)	<u>(44)</u>
		<u>52,535</u>	<u>17,038</u>
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR			
Basic and diluted (<i>HK cents</i>)	9	<u>6.85</u>	<u>2.31</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>52,535</u>	<u>17,038</u>
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss: Exchange differences on translation of financial statements of foreign operations	(45,040)	(47,996)
Item that may not be reclassified subsequently to profit or loss: Change in fair value of equity investments at fair value through other comprehensive income	<u>334</u>	<u>–</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(44,706)</u>	<u>(47,996)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>7,829</u>	<u>(30,958)</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	11,731	(27,615)
Non-controlling interests	<u>(3,902)</u>	<u>(3,343)</u>
	<u>7,829</u>	<u>(30,958)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	104,377	114,454
Right-of-use assets	10	2,537	–
Intangible assets	10	417,703	451,028
Goodwill		12,232	13,029
Equity investments		2,666	2,332
Cemetery assets	11	218,595	232,830
Total non-current assets		<u>758,110</u>	<u>813,673</u>
CURRENT ASSETS			
Inventories		228,859	245,670
Trade receivables	12	1,014	912
Prepayments, deposits and other receivables		3,389	3,456
Cash and cash equivalents		77,657	34,999
Total current assets		<u>310,919</u>	<u>285,037</u>
CURRENT LIABILITIES			
Trade payables	13	34,593	33,953
Other payables and accruals		5,622	7,515
Contract liabilities		23,605	23,684
Interest-bearing bank and other borrowings		49,250	74,941
Lease liabilities		1,479	–
Amount due to non-controlling shareholder		–	2,827
Tax payables		25,390	21,429
Total current liabilities		<u>139,939</u>	<u>164,349</u>
NET CURRENT ASSETS		<u>170,980</u>	<u>120,688</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>929,090</u>	<u>934,361</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 March 2020*

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	114,217	137,341
Contract liabilities	21,330	17,250
Lease liabilities	744	–
Deferred tax liabilities	112,471	121,678
	<hr/>	<hr/>
Total non-current liabilities	248,762	276,269
	<hr/>	<hr/>
NET ASSETS	680,328	658,092
	<hr/>	<hr/>
EQUITY		
Share capital	88,855	74,055
Reserves	556,480	536,911
	<hr/>	<hr/>
Equity attributable to owners of the Company	645,335	610,966
Non-controlling interests	34,993	47,126
	<hr/>	<hr/>
TOTAL EQUITY	680,328	658,092
	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

31 March 2020

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Int”)) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These financial statements have been prepared under historical cost convention, except for equity investments which were stated at fair value.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2019.

HKFRS 16	<i>Leases</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	<i>Amendments to HKAS 12, Income Taxes</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	<i>Amendments to HKAS 23, Borrowing Costs</i>

The impact of the adoption of HKFRS 16 Leases has been summarised in below. The other new or amended HKFRSs stated above that are relevant to the Group and effective from 1 April 2019 did not have any significant impact on the Group’s accounting policies.

HKFRS 16 – Leases

(i) *Impacts of the adoption of HKFRS 16 – Leases*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease (“HK(IFRIC) – Int 4”), HK(SIC) – Int 15 Operating Leases – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17.

The Group has applied HKFRS 16 using the simplified transition approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented for the year ended 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 31 March 2019 to that as at 1 April 2019 (increase/(decrease)):

	<i>HK\$’000</i>
Summary of consolidated statement of financial position as at 1 April 2019	
Right-of-use assets	<u>3,901</u>
Prepayment	<u>(757)</u>
Lease liabilities (current)	<u>1,912</u>
Lease liabilities (non-current)	<u>1,232</u>

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognition in the consolidated statement of financial position as at 1 April 2019:

	<i>HK\$’000</i>
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as at 31 March 2019	4,321
Less: Short-term leases for which lease terms end within 31 March 2020	(946)
Less: Future interest expense	<u>(231)</u>
Total lease liabilities as at 1 April 2019	<u>3,144</u>

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 was approximately 4.60% per annum.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

3. NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE

The following amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes when they become effective for accounting periods beginning on or after 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material

Amendments to HKFRS 3 – Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The Group has already commenced a preliminary assessment of the impact of adopting the amendments to HKFRSs to the Group. The directors anticipate that the application of these amendments to HKFRSs will have no material impact on the Group's financial performance and positions and/or the disclosures to the Group's financial statements in subsequent years.

4. 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) *Disaggregated revenue from external customers*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The People's Republic of China ("PRC")	<u>286,990</u>	<u>223,120</u>

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

(b) *Non-current assets*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	2,839	1,566
The PRC	<u>752,605</u>	<u>809,775</u>
	<u>755,444</u>	<u>811,341</u>

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

Information about major customers

For the year ended 31 March 2020, revenue generated from one (2019: Nil) customer amounted to HK\$48,302,000 (2019: Nil), which represent 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products and services and timing of revenue recognition. The Group has only one reportable operating segment which is the cemetery business in the PRC, and the disaggregated geographic information of revenue has been set out in note 4(a).

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue by products and services		
Sales of tombs and niches	266,643	199,585
Management fee income	3,401	3,066
Burial services	16,946	20,163
Sales of funeral supplies	–	306
	286,990	223,120
Timing of revenue recognition		
At point in time	266,643	199,891
Over time	20,347	23,229
	286,990	223,120
Other income and gains		
Gain on disposal of investment properties	–	2,446
Gain on disposal of property, plant and equipment, net	155	95
Gain on lease modification	25	–
Bank interest income	527	238
Write back of other payables	–	753
Recovery of bad debt of other receivable	–	116
Exchange gains, net	–	384
Others	1,096	963
	1,803	4,995

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold recognised as expense, including	85,655	61,988
– Write-down of inventories to net realisable value	1,969	–
Cost of services provided	6,567	7,121
Employee benefit expense (excluding directors' and chief executives' remuneration):		
– Wages and salaries	40,212	41,369
Amortisation of intangible assets*	5,871	2,821
Amortisation of cemetery assets*	7,731	7,556
Auditor's remuneration	840	800
Depreciation:		
– Property, plant and equipment	9,409	10,677
– Investment properties	–	227
– Right-of-use assets**	2,185	–
Write-off of other receivables	–	4,985
Write-off of property, plant and equipment	306	–
Loss on disposal of a subsidiary	–	824
Loss on disposal of an associate	–	2,149
Exchange losses, net	29	–
Minimum lease payments for leases previously classified as operating leases under HKAS 17	–	3,725
	<u> </u>	<u> </u>

* *Amortisations of intangible assets and cemetery assets for the year are included in "Cost of sales" in the consolidated statement of profit or loss.*

** *The Group has initially applied HKFRS 16 - Leases using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as lessee is required to depreciate these right-of-use assets. Under this method, the comparative information has not been restated as described in note 2.*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	161	–
Interest on interest-bearing bank and other borrowings	10,006	18,348
Less: Interest capitalised	(6,049)	(12,961)
	<u> </u>	<u> </u>
	<u>4,118</u>	<u>5,387</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.55% (2019: 7.72%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries 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 (2019: Nil).

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 year (2019: Nil).

Provision for the PRC current income tax is based on the statutory rate of 25% (2019: 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:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Income tax		
– Tax for the year in the PRC	26,421	19,733
– Under-provision in prior years	245	116
Deferred tax	(2,534)	(1,483)
Total income tax expense for the year	<u>24,132</u>	<u>18,366</u>

A reconciliation of the income tax expense applicable to profit before income tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Profit before income tax	<u>76,667</u>	<u>35,404</u>
Tax at the statutory tax rate of 25% (2019: 25%)	19,167	8,851
Effect of withholding tax on distributable profit of the Group's PRC subsidiaries	2,340	(2,227)
Tax effect of different taxation rates in other tax jurisdictions	277	(354)
Tax effect of non-taxable income	(252)	(13)
Tax effect of non-deductible expenses	230	6,116
Tax effect of tax losses not recognised	3,425	5,877
Tax effect of utilisation of tax losses not previously recognised	(1,300)	–
Under-provision in respect of prior years	245	116
Income tax expense	<u>24,132</u>	<u>18,366</u>

9. EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company over the weighted average number of ordinary shares of 783,526,000 (2019: 740,545,000) in issue during the year.

There was no potential dilutive ordinary shares outstanding during the years ended 31 March 2020 and 2019 and hence the diluted earnings per share is the same as basic earnings per share.

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

	2020 HK\$'000	2019 HK\$'000
Earnings		
Profit attributable to owners of the Company		
used in the basic and diluted earnings per share calculation	53,641	17,082
	Number of shares 2020 ('000)	Number of shares 2019 ('000)
Shares		
Weighted average number of ordinary shares in issue during the year		
used in the basic and diluted earnings per share calculation	783,526	740,545 [#]

[#] *The shares consolidation pursuant to the shareholders' resolutions dated 29 August 2018 is adjusted in the weighted average number of ordinary shares in issue as if the share consolidation had occurred at 1 April 2018, the beginning of the earliest period reported.*

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the year, the Group acquired items of property, plant and equipment with a cost of HK\$6,722,000 (2019: HK\$8,304,000). Items of property, plant and equipment with a net carrying value of HK\$402,000 (2019: HK\$32,000) were disposed of during the year, resulting in a gain on disposal of HK\$155,000 (2019: HK\$95,000). Items of property, plant and equipment with a net carrying value of HK\$306,000 were written off during the year (2019: Nil).

Certain properties under property, plant and equipment with aggregate net carrying amount of HK\$16,712,000 (2019: HK\$18,402,000) were pledged for certain interest-bearing bank and other borrowings at the end of the reporting period.

In addition, the Group has entered into new lease agreements during the year. Right-of-use assets amounted to HK\$1,686,000 has been recognised for the year accordingly.

No additions to intangible assets was made during the year (2019: Nil).

11. CEMETERY ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Land costs	19,996	22,370
Landscape facilities	198,599	210,460
	<u>218,595</u>	<u>232,830</u>

12. TRADE RECEIVABLES

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 60 days	271	121
181 to 365 days	–	791
Over 1 year	743	–
	<u>1,014</u>	<u>912</u>

13. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	29,893	18,688
91 to 180 days	2	47
181 to 365 days	2,012	334
Over 1 year	2,686	14,884
	<u>34,593</u>	<u>33,953</u>

14. RELATED PARTY TRANSACTIONS

(a) Other transactions with related parties

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Consultancy fee to non-controlling shareholder in which one of the executive directors has control (<i>notes (i) and (iii)</i>)	1,037	2,611
Consultancy fee to a related company in which one of the executive directors has control (<i>notes (i) and (iii)</i>)	1,687	–
Payment to non-controlling shareholder to acquire the 1.62% equity interests of Zhejiang Anxian Yuan (<i>note (i)</i>)	6,652	–
Rental expense to non-controlling shareholder in which one of the executive directors has control (<i>note (i)</i>)	–	333
Interest expense to a related company in which one of the executive directors has control (<i>note (ii)</i>)	531	5,775
	<u>531</u>	<u>5,775</u>

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 of the Company 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.
- (iii) These transactions related to a consultancy fee paid to a non-controlling shareholder of a subsidiary of the Group and one of the executive directors has control on this subsidiary, it became a related party in which one of the executive directors still has control but no longer a non-controlling shareholder to the Group, resulted by the acquisition of additional 1.62% equity interests of this subsidiary by the Group on 15 August 2019.

Certain directors of the Company have guaranteed certain amount of the bank and other borrowings.

(b) Outstanding balances with related parties

- (i) The Group has no outstanding balances to the non-controlling shareholder as at 31 March 2020 (2019: HK\$2,827,000). The amount was non-trading in nature, unsecured, interest-free and repayable on demand.
- (ii) The Group had an outstanding balance of other borrowing due to a related company, in which one of the executive directors has control, amounted to HK\$30,000,000 as at 31 March 2019. The balance was unsecured, guaranteed by Mr. Shi Hua, bearing an interest rate of 15% per annum and repaid during the year ended 31 March 2020.

(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.

15. EVENT AFTER THE REPORTING DATE

On 25 March 2020, the Company proposed a rights issue on the basis of three rights shares for every two existing shares in issue at a subscription price of HK\$0.1 per rights share to raise approximately HK\$133,282,000 before expenses by way of issuing up to 1,332,817,890 rights shares, in which 303,267,000 rights shares and 18,300,000 rights shares are underwritten by the executive directors of the Company, Mr. Shi Hua and Mr. Shi Jun respectively (the "Rights Issue"). Details of the Rights Issue and the whitewash waiver were set out in the circular of the Company dated 29 April 2020.

A special general meeting of the Company was held on 28 May 2020 to pass the resolutions for approving the Rights Issue and the whitewash waiver.

Save as disclosed above, there was no event occurring after the reporting date to be disclosed by the Group up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

As one of the earliest service providers in funeral and burial industry in the PRC, the Group strives to provide quality funeral and burial services. It aims at realising the synergy and sustainable development for the health of enterprises, industry and society by taking its position in the reformation and development of contemporary cemetery industry across the country.

During the Year under review, the Group proactively promoted sustainable funeral and burial models and organised the business development and management of all of its cemeteries. With continuous in-depth cultivation of its core businesses, it actualised the comprehensive development of both “funeral” and “burial” businesses. As the core project of the Group, Zhejiang Anxian Yuan is a top-notch ecological and humanistic cemetery in the province and even in the entire PRC, where numerous late sages and masters were buried. The project also passed the “Three in One” (ISO quality, environment, and occupational health and safety) international standard certification. Meanwhile, leveraging on the successful development experience of its core project, the Group constantly enhanced its continuous investment in Yin Chuan Fu Shou Yuan and Zunyi Dashenshan Cemeteries. There was a vigorous growth in revenue during the Year. As one of the leaders in the funeral and burial service industry in the PRC, the Group proactively responded to the call from the government and endeavoured to promote innovative conceptions such as humanistic funeral and burial, charitable funeral and burial, green funeral and burial, scientific funeral and burial, and online grave sweeping. Among which, land-saving wall burial was widely accepted and acquired satisfying profits. With an unwavering heart, the Group always persisted in protecting and upholding historical customs and promoting traditional culture with emphasis on the sense of commitment to provide humanistic care. During the Year, a number of humanistic memorial parks were renovated and the social welfare and historical memorial activities acquired positive feedbacks from the different sectors of the society. With regard to management, the Group continued to optimise its internal management and training system and further facilitated the growth and development of “Anxian Member”, which infused a stronger driving force of talents for the actualisation of the Group’s vision of future.

Looking forward, the Group will continue to solidify and develop its existing projects and unearth its brand value. With persistence in green funeral and burial as its core value and tremendous effort in facilitating the progression of modernised, ecological and humanistic reformation of Chinese funerals and burials, the Group will expand the high-quality funeral and burial services and humanistic conceptions to more regions in the PRC and proactively lay down a new benchmark for the funeral and burial industry in the PRC.

FINANCIAL REVIEW

For the Year, the Group recorded net profit of approximately HK\$52.5 million (2019: approximately HK\$17.0 million) and revenue of approximately HK\$287.0 million (2019: approximately HK\$223.1 million). The Group's earnings before interest and tax was approximately HK\$80.8 million (2019: approximately HK\$40.8 million). Increase in the Group's net profit by approximately HK\$35.5 million year-on-year was mainly due to:

- (i) The Group recorded an increase in revenue by approximately HK\$63.9 million year-on-year. Such increase was primarily due to the PRC government encourages land-saving ecological burial (節地生態安葬), which has increased demand for the Group's large-scaled wall burial (壁葬) in Hangzhou cemetery; and
- (ii) The Group recorded a decrease in administrative expenses by approximately HK\$11.9 million year-on-year. Such decrease was primarily due to absence of expenses which are non-recurring in nature for the year ended 31 March 2019 including (a) loss on disposal of a subsidiary and an associate of approximately HK\$3.0 million; and (b) impairment loss on other receivables of approximately HK\$5.0 million.

Of the total revenue of approximately HK\$287.0 million, sales of tombs and niches amounted to approximately HK\$266.6 million (2019: approximately HK\$199.6 million).

Total assets and net assets of the Group as at 31 March 2020 were approximately HK\$1,069.0 million (2019: approximately HK\$1,098.7 million) and approximately HK\$680.3 million (2019: approximately HK\$658.1 million) respectively. The increase in net assets was mainly due to increase in net profit, after netoff with depreciation of RMB against HK\$.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In August 2019, Hangzhou Fuyixian, an indirect wholly-owned subsidiary of the Company, has acquired additional 1.62% equity interests in Zhejiang Anxian Yuan, a 98.38% indirectly owned subsidiary of the Company as at 31 March 2019, from 浙江富安移民經濟開發有限公司 (in English, for identification purpose, Zhejiang Fu An Immigration Economic Development Company Limited), a connected person of the Company (as defined in the Listing Rules) (the “Acquisition”). Completion of the Acquisition took place in August 2019. Upon completion of the Acquisition, the Company indirectly owned 100% equity interest in Zhejiang Anxian Yuan, details of which were set out in the Company’s announcement dated 15 August 2019.

On 14 March 2020, Anxian Yuan (Zhejiang) and the investment partners (“Partners”) entered into a non-legally binding memorandum of understanding (“MOU”) in relation to possible investment by Anxian Yuan (Zhejiang) in 阜陽市天壽園陵園管理有限公司 (Fuyang Tianshouyuan Cemetery Management Co., Ltd.)*(the “Target Company”) by way of capital injection and its development of a commercial cemetery (經營性公墓), subject to the entering into of the formal agreement. Pursuant to the MOU, Anxian Yuan (Zhejiang) and the Partners have agreed to invest in the first phase of the commercial cemetery with an aggregate amount of RMB90 million (including the existing registered capital of the Target Company of RMB10 million which has not yet been paid up as at the date of this announcement), of which Anxian Yuan (Zhejiang) and the Partners shall invest RMB24 million and RMB6 million in the Target Company, respectively. Upon completion of the capital injection, the registered capital of the Target Company shall be increased from RMB10 million to RMB30 million while the respective shareholding of the Company and the Partners will be 80% and 20%. In addition, each of the shareholders of the Target Company is required to invest in the Target Company, based on their pro-rata shareholding interest in the Target Company after the capital injection, i.e. RMB60 million being the difference between the total first phase investment of RMB90 million and the total paid up capital after the capital injection of RMB30 million, for the development of the Target Company. Upon completion of the first phase of the commercial cemetery, it is expected that the commercial cemetery will record operating cash inflow which will then be utilised to develop the commercial cemetery continuously. According to the MOU, the Company and the Partners should enter into the formal agreement within six months from the date of the MOU, being 14 March 2020. The six months period will expire on 13 September 2020. As at the date of this announcement, the Company is still conducting due diligence on the Target Company, details of which were set out in the Company’s announcement dated 25 March 2020 and the Company’s circular dated 29 April 2020.

Except for disclosed above, there is no material acquisition and disposal of subsidiaries and associates conducted by the Group during the Year that should be notified to the shareholders of the Company.

OTHER INFORMATION

1. Purchase, sale or redemption of listed securities of the company

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

2. 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 the Directors, all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year. No incident of non-compliance was noted by the Company during the Year.

3. Corporate governance practices

The Company's corporate governance practices are based on the principles and code provisions are set out in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules. The Directors are of the view that the Company has been in compliance with the Code throughout the Year, except for the deviation from code provision A.1.1 of the Code as specified with considered reasons for such deviations as explained below. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

Compliance with Code on Corporate Governance Practices

During the Year, the Board has adopted and complied with the code provisions of the Code in so far as they are applicable except for the following deviations.

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 Year, only two regular board meetings were held to review and discuss the annual and interim 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.

4. Dividend

The Directors do not recommend the payment of any dividend for the Year (2019: Nil).

5. Audit Committee

The Audit Committee, comprising all the three Independent Non-executive Directors, has reviewed with management of the Company the principal accounting policies adopted by the Group and discussed the risk management and internal control and financial reporting matters, including a review of the audited consolidated financial statements, for the Year.

6. Scope of work of BDO Limited on this preliminary announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

7. Publication of Annual Results Announcement and Annual Report

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.anxianyuanchina.com), respectively. The annual report of the Company for the year ended 31 March 2020 containing all the information required under the Listing Rules will be dispatched to the Shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
ANXIAN YUAN CHINA HOLDINGS LIMITED
SHI HUA
Chairman

Hong Kong, 30 June 2020

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Shi Hua, Mr. Shi Jun and Mr. Law Fei Shing; non-executive director, namely Mr. Wang Hongjie; and three independent non-executive directors, namely Mr. Chan Koon Yung, Mr. Lum Pak Sum and Mr. Yao Hong.

GLOSSARY

In this announcement of annual result (other than the financial statements from pages 2 to 16), the following expressions shall have the following meanings unless the context otherwise requires:

AGM	annual general meeting
Anxian Yuan (Zhejiang)	安賢園(浙江)投資管理有限公司 (in English, for identification purpose, Anxian Yuan (Zhejiang) Investment Management Company Limited), a limited liability company established under the laws of the PRC
Audit Committee	the audit committee of the Company
Board	the board of Directors
Chairman	the chairman of the Board
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
Director(s)	the director(s) of the Company
Executive Director(s)	the executive Director(s)
Group	the Company and its subsidiaries
Hangzhou Fuyixian	杭州富亦賢科技有限公司 (in English, for identification purposes, Hangzhou Fuyixian Technology Company Limited), a limited liability company established under the laws of the PRC
HKAS	the Hong Kong Accounting Standards 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)
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
Non-executive Director(s)	the non-executive Director(s)
PRC	the People's Republic of China, which for the purpose of this announcement exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
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)
Year	the year ended 31 March 2020
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
%	per cent