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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: 0922)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2017**

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 2016 as follows:

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

| | | 2017 | 2016 |
|---|--------------|------------------------|-----------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| REVENUE | 5 | 161,584 | 108,044 |
| Cost of sales | | <u>(41,290)</u> | <u>(26,255)</u> |
| Gross profit | | 120,294 | 81,789 |
| Other income and gains | 5 | 9,495 | 8,291 |
| Selling and distribution expenses | | (18,424) | (14,069) |
| Administrative expenses | | (70,001) | (57,058) |
| Finance costs | 7 | (28,649) | (8,119) |
| Share of profits and losses of an associate | | <u>(8)</u> | <u>422</u> |
| PROFIT BEFORE TAX | 6 | 12,707 | 11,256 |
| Income tax expense | 8 | <u>(6,895)</u> | <u>(1,452)</u> |
| PROFIT FOR THE YEAR | | <u>5,812</u> | <u>9,804</u> |
| Attributable to: | | | |
| Owners of the parent | | 6,240 | 9,465 |
| Non-controlling interests | | <u>(428)</u> | <u>339</u> |
| | | <u>5,812</u> | <u>9,804</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic (<i>HK cents</i>) | | | |
| – For profit for the year | 9 | <u>0.09</u> | <u>0.14</u> |
| Diluted (<i>HK cents</i>) | | | |
| – For profit for the year | 9 | <u>0.09</u> | <u>0.08</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 March 2017*

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|---------------------------------------|---------------------------------------|
| PROFIT FOR THE YEAR | <u>5,812</u> | <u>9,804</u> |
| OTHER COMPREHENSIVE LOSS | | |
| Other comprehensive loss to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | <u>(41,824)</u> | <u>(27,862)</u> |
| OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX | <u>(41,824)</u> | <u>(27,862)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | <u>(36,012)</u> | <u>(18,058)</u> |
| Attributable to: | | |
| Owners of the parent | (32,516) | (17,815) |
| Non-controlling interests | <u>(3,496)</u> | <u>(243)</u> |
| | <u>(36,012)</u> | <u>(18,058)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

| | | 31 March 2017 | 31 March |
|--|--------------|--------------------------|-----------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>2016</i> |
| | | | <i>HK\$'000</i> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 98,641 | 109,445 |
| Investment properties | | 512 | 857 |
| Intangible assets | 11 | 441,439 | 473,089 |
| Goodwill | 12 | 12,589 | 13,340 |
| Investment in an associate | | 4,281 | 4,560 |
| Available-for-sale investments | | 2,253 | 2,400 |
| Prepayments | 16 | – | 42,004 |
| Cemetery assets | 13 | 229,857 | 218,474 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 789,572 | 864,169 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Inventories | 14 | 182,578 | 168,947 |
| Trade receivables | 15 | 2,451 | 1,034 |
| Prepayments, deposits and other receivables | 16 | 70,335 | 45,668 |
| Pledged deposits | | – | 31,080 |
| Cash and cash equivalents | | 110,140 | 109,911 |
| | | <hr/> | <hr/> |
| Total current assets | | 365,504 | 356,640 |
| | | <hr/> | <hr/> |
| CURRENT LIABILITIES | | | |
| Trade payables | 17 | 47,980 | 60,386 |
| Other payables and accruals | 18 | 44,021 | 67,469 |
| Deferred income | 19 | 2,974 | 3,017 |
| Interest-bearing bank and other borrowings | 20 | 165,476 | 59,106 |
| Amount due to non-controlling shareholders | 21 | 7,836 | 49,123 |
| Liability component of convertible bonds | 22 | 48,477 | – |
| Derivative component of convertible bonds | 22 | 1,000 | 9,700 |
| Tax payable | | 12,913 | 19,885 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 330,677 | 268,686 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 34,827 | 87,954 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 824,399 | 952,123 |
| | | <hr/> | <hr/> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 March 2017

| | | 31 March 2017 | 31 March |
|---|--------------|--------------------------|-----------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>2016</i> |
| | | | <i>HK\$'000</i> |
| NON-CURRENT LIABILITIES | | | |
| Liability component of convertible bonds | 22 | – | 34,000 |
| Interest-bearing bank and other borrowings | 20 | 141,497 | 156,971 |
| Deferred income | 19 | 12,838 | 13,819 |
| Amount due to non-controlling shareholders | 21 | – | 38,141 |
| Deferred tax liabilities | | 115,789 | 118,905 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 270,124 | 361,836 |
| | | <hr/> | <hr/> |
| Net assets | | 554,275 | 590,287 |
| | | <hr/> | <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 543,445 | 543,445 |
| Reserves | | (34,581) | (2,065) |
| | | <hr/> | <hr/> |
| | | 508,864 | 541,380 |
| | | <hr/> | <hr/> |
| Non-controlling interests | | 45,411 | 48,907 |
| | | <hr/> | <hr/> |
| Total equity | | 554,275 | 590,287 |
| | | <hr/> | <hr/> |

NOTES TO FINANCIAL STATEMENTS

31 March 2017

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Year. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the Year's financial statements.

| | |
|--|--|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | <i>Investment Entities: Applying the Consolidation Exception</i> |
| Amendments to HKFRS 11 HKFRS 14 | <i>Accounting for Acquisitions of Interests in Joint Operations</i> <i>Regulatory Deferral Accounts</i> |
| Amendments to HKAS 1 | <i>Disclosure Initiative</i> |
| Amendments to HKAS 16 and HKAS 38 | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> |
| Amendments to HKAS 16 and HKAS 41 | <i>Agriculture: Bearer Plants</i> |
| Amendments to HKAS 27 (2011) | <i>Equity Method in Separate Financial Statements</i> |
| <i>Annual Improvements 2012-2014 Cycle</i> | Amendments to a number of HKFRSs |

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- (i) the materiality requirements in HKAS 1;
 - (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
 - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
 - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

- (c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | <i>Classification and Measurement of Share-based Payment Transactions</i> ² |
| Amendments to HKFRS 4 | <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ² |
| HKFRS 9 | <i>Financial Instruments</i> ² |
| Amendments to HKFRS 10 and HKAS 28 (2011) | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴ |
| HKFRS 15 | <i>Revenue from Contracts with Customers</i> ² |
| Amendments to HKFRS 15 | <i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ² |
| HKFRS 16 | <i>Leases</i> ³ |
| Amendments to HKAS 7 | <i>Disclosure Initiative</i> ¹ |
| Amendments to HKAS 12 | <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹ |

¹ *Effective for annual periods beginning on or after 1 January 2017*

² *Effective for annual periods beginning on or after 1 January 2018*

³ *Effective for annual periods beginning on or after 1 January 2019*

⁴ *No mandatory effective date yet determined but available for adoption*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard upon adoption.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, 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. The Group expects to adopt the amendments from 1 April 2017.

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) Revenue from external customers

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Mainland China | <u>161,584</u> | <u>108,044</u> |

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

(b) Non-current assets

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Hong Kong | 749 | 415 |
| Mainland China | <u>786,570</u> | <u>861,354</u> |
| | <u>787,319</u> | <u>861,769</u> |

The 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

No revenue from a single customer accounted for 10% or more of the Group's revenue during the Year (2016: Nil).

5. 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 Year.

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Revenue | | |
| Sales of tombs and niches | 139,174 | 101,082 |
| Management fee income | 2,695 | 2,482 |
| Burial service | 18,898 | 3,746 |
| Sales of funeral supplies | 817 | 734 |
| | <u>161,584</u> | <u>108,044</u> |
| Other income and gains | | |
| Gain on disposal of items of property, plant and equipment | 11 | – |
| Gain on bargain purchase arising from business combination | – | 558 |
| Bank interest income | 148 | 133 |
| Fair value gain of derivative component of convertible bonds (<i>note 22</i>) | 8,700 | 7,600 |
| Others | 636 | – |
| | <u>9,495</u> | <u>8,291</u> |

6. PROFIT BEFORE TAX

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Cost of inventories sold | 27,659 | 19,904 |
| Cost of services provided | 5,258 | 728 |
| Employee benefit expense (excluding directors' and chief executives' remuneration): | | |
| Wages and salaries | 35,796 | 23,618 |
| Amortisation of intangible assets (<i>note 11</i>)* | 2,643 | 2,007 |
| Amortisation of cemetery assets (<i>note 13</i>)* | 5,730 | 3,616 |
| Auditor's remuneration | 1,200 | 1,296 |
| Depreciation | | |
| – Property, plant and equipment (<i>note 10</i>) | 9,338 | 3,348 |
| – Investment properties | 299 | 318 |
| Provision for impairment of other receivables (<i>note 16</i>) | 1,014 | – |
| Foreign exchange differences, net | (334) | (82) |
| Minimum lease payments under operating leases | 3,599 | 2,952 |

* The amortisation of intangible assets and cemetery assets for the year is included in "Cost of sales" in the statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest on interest-bearing bank borrowings (including convertible bonds) | <u>46,597</u> | <u>14,920</u> |
| Total interest expense | 46,597 | 14,920 |
| Less: Interest capitalised | <u>(17,948)</u> | <u>(6,801)</u> |
| | <u>28,649</u> | <u>8,119</u> |

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 Year.

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:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Current tax | | |
| Income tax in the PRC for the year | 11,034 | 9,477 |
| Reversal of overprovision in prior years | (7,861) | (10,289) |
| Deferred tax | <u>3,722</u> | <u>2,264</u> |
| Total tax charge for the year | <u>6,895</u> | <u>1,452</u> |

A reconciliation of the tax expense applicable to profit before 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:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---|--------------------------------|---------------------|
| Profit before tax | <u>12,707</u> | <u>11,256</u> |
| Tax at the statutory tax rate of 25% | 3,177 | 2,814 |
| Effect of withholding tax on distributable profit of the Group's PRC subsidiaries | 832 | 1,103 |
| Tax effect of different taxation rates in other tax jurisdictions | 3,672 | 2,626 |
| Income not subject to tax | (1,436) | (1,275) |
| Expenses not deductible for tax | 5,990 | 3,658 |
| Tax losses utilised from prior years | (848) | (17) |
| Tax losses not recognised | 3,132 | 2,470 |
| Underprovision in prior years | 237 | 362 |
| Reversal of overprovision in prior years | <u>(7,861)</u> | <u>(10,289)</u> |
| Total tax charge for the year | <u>6,895</u> | <u>1,452</u> |

9. 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 Year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,934,453,000 (2016: 6,873,406,000) in issue during the Year.

The calculation of the diluted earnings per share amount is based on the profit for the Year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds and the fair value gain on the 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 Year, 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.

No adjustment has been made to the basic earnings per share amounts presented for the Year 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:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|--|--|
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | 6,240 | 9,465 |
| Interest on convertible bonds (<i>note 22</i>) | 22,100 | 3,694 |
| Less: Fair value gain on the derivative component of convertible bonds (<i>note 5</i>) | <u>(8,700)</u> | <u>(7,600)</u> |
| Profit attributable to ordinary equity holders of the parent, before the effect of convertible bonds | <u>19,640 *</u> | <u>5,559</u> |
| | Number of shares 2017 ('000) | Number of shares 2016 ('000) |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 6,934,453 | 6,873,406 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | 2,226 | 24,399 |
| Convertible bonds | <u>333,890</u> | <u>123,493</u> |
| | <u>7,270,569 *</u> | <u>7,021,298</u> |

* *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 Year 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 Year of HK\$6,240,000 and the weighted average number of ordinary shares of 6,936,679,000 in issue during the Year.*

10. PROPERTY, PLANT AND EQUIPMENT

| | Buildings <i>HK\$'000</i> | Furniture, fixtures and equipment <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> | Leasehold improvements <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-----------------------------------|------------------------------|--|--------------------------------------|--|--------------------------|
| 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 |

As at 31 March 2017, none of Group's property, plant and equipment was pledged. As at 31 March 2016, certain of the Group's buildings with a net carrying amount of approximately HK\$7,248,000 were pledged to secure general banking facilities granted to the Group.

| | Buildings <i>HK\$'000</i> | Furniture, fixtures and equipment <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> | Leasehold improvements <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-----------------------------------|-------------------------------------|---|--|--|---------------------------------|
| Cost: | | | | | |
| At 31 March 2015 and 1 April 2015 | 15,749 | 2,420 | 8,172 | 1,131 | 27,472 |
| Additions | 53 | 201 | 855 | 21 | 1,130 |
| Acquisition of subsidiaries | 88,365 | 3,258 | 2,941 | – | 94,564 |
| Disposals | – | – | (72) | – | (72) |
| Disposal of subsidiaries | – | – | (125) | – | (125) |
| Exchange realignment | (736) | (57) | (278) | (31) | (1,102) |
| | <u>103,431</u> | <u>5,822</u> | <u>11,493</u> | <u>1,121</u> | <u>121,867</u> |
| At 31 March 2016 | | | | | |
| Accumulated depreciation: | | | | | |
| At 31 March 2015 and 1 April 2015 | (5,280) | (789) | (3,249) | (227) | (9,545) |
| Charge for the year | (844) | (491) | (1,470) | (543) | (3,348) |
| Disposals | – | – | 72 | – | 72 |
| Disposal of subsidiaries | – | – | 36 | – | 36 |
| Exchange realignment | 278 | 11 | 63 | 11 | 363 |
| | <u>(5,846)</u> | <u>(1,269)</u> | <u>(4,548)</u> | <u>(759)</u> | <u>(12,422)</u> |
| At 31 March 2016 | | | | | |
| Net carrying amount: | | | | | |
| At 31 March 2015 | <u>10,469</u> | <u>1,631</u> | <u>4,923</u> | <u>904</u> | <u>17,927</u> |
| At 31 March 2016 | <u>97,585</u> | <u>4,553</u> | <u>6,945</u> | <u>362</u> | <u>109,445</u> |

11. INTANGIBLE ASSETS

HK\$'000

Cost:

| | |
|-----------------------------------|----------|
| At 1 April 2015 | 406,439 |
| Acquisition of subsidiaries | 101,686 |
| Exchange realignment | (19,752) |
| | <hr/> |
| At 31 March 2016 and 1 April 2016 | 488,373 |
| Exchange realignment | (30,002) |
| | <hr/> |
| At 31 March 2017 | 458,371 |
| | <hr/> |

Accumulated amortisation:

| | |
|-----------------------------------|----------|
| At 1 April 2015 | (14,007) |
| Charge for the year | (2,007) |
| Exchange realignment | 730 |
| | <hr/> |
| At 31 March 2016 and 1 April 2016 | (15,284) |
| Charge for the year | (2,643) |
| Exchange realignment | 995 |
| | <hr/> |
| At 31 March 2017 | (16,932) |
| | <hr/> |

Net carrying amount:

| | |
|------------------|---------|
| At 31 March 2016 | 473,089 |
| | <hr/> |
| At 31 March 2017 | 441,439 |
| | <hr/> |

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

12. GOODWILL

HK\$'000

Cost:

| | |
|-----------------------------------|--------|
| At 1 April 2015 | – |
| Acquisition of a subsidiary | 13,340 |
| | <hr/> |
| At 31 March 2016 and 1 April 2016 | 13,340 |
| Exchange realignment | (751) |
| | <hr/> |
| At 31 March 2017 | 12,589 |
| | <hr/> |

Accumulated impairment:

| | |
|---------------------------|-------|
| At 31 March 2016 and 2017 | – |
| | <hr/> |

Net carrying amount:

| | |
|------------------|--------|
| At 31 March 2016 | 13,340 |
| | <hr/> |
| At 31 March 2017 | 12,589 |
| | <hr/> |

The carrying amounts of goodwill are as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|------------------------|------------------|------------------|
| Yin Chuan Fu Shou Yuan | 12,589 | 13,340 |
| | <hr/> | <hr/> |
| | 12,589 | 13,340 |
| | <hr/> | <hr/> |

The impairment test was based on the recoverable amount of the cash-generating unit (“CGU”). During the Year, the management of the Group determines that there is no impairment of above CGU containing goodwill.

The recoverable amount of the above CGU is determined based on a value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discounts, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. The growth rates are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The major underlying assumptions are summarised below:

The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 15%. Cash flows beyond that five-year period have been extrapolated using declining growth rates until a steady 3% growth rate is reached. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

13. CEMETERY ASSETS

| | Land costs <i>HK\$'000</i> | Landscape facilities <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-----------------------------------|--------------------------------------|--|---------------------------------|
| Cost | | | |
| At 1 April 2015 | – | 142,344 | 142,344 |
| Additions | – | 17,488 | 17,488 |
| Acquisition of subsidiaries | 28,687 | 63,720 | 92,407 |
| Transfer to inventories | (1,576) | (1,443) | (3,019) |
| Exchange realignment | 153 | (6,907) | (6,754) |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2016 and 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) |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2017 | 25,190 | 232,450 | 257,640 |
| | <hr/> | <hr/> | <hr/> |
| Accumulated amortisation: | | | |
| At 1 April 2015 | – | (21,617) | (21,617) |
| Provided for the year | (131) | (3,485) | (3,616) |
| Eliminated on transfer | – | 121 | 121 |
| Exchange realignment | 3 | 1,117 | 1,120 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2016 and 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 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2017 | (547) | (27,236) | (27,783) |
| | <hr/> | <hr/> | <hr/> |
| Carrying value: | | | |
| At 31 March 2016 | <hr/> 27,136 | <hr/> 191,338 | <hr/> 218,474 |
| At 31 March 2017 | <hr/> 24,643 | <hr/> 205,214 | <hr/> 229,857 |

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.

14. INVENTORIES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|-------------|-------------------------|-------------------------|
| Inventories | | |
| – Tombs | <u>182,578</u> | <u>168,947</u> |

As at 31 March 2017, inventories of approximately HK\$151,355,000 (2016: HK\$138,167,000) were expected to be recovered in more than one year.

15. TRADE RECEIVABLES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Trade receivables | <u>2,451</u> | <u>1,034</u> |

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.

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 60 to 90 days | <u>2,451</u> | <u>1,034</u> |

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Neither past due nor impaired | 2,451 | 1,034 |
| Over 365 days past due | <u>–</u> | <u>–</u> |
| | <u>2,451</u> | <u>1,034</u> |

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

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Prepayments | 14,610 | 56,401 |
| Deposits and other receivables | <u>131,206</u> | <u>105,738</u> |
| | 145,816 | 162,139 |
| Provision for impairment loss | <u>(75,481)</u> | <u>(74,467)</u> |
| | <u>70,335</u> | <u>87,672</u> |
| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
| Prepayments: | | |
| Analysed into: | | |
| Current | 14,610 | 14,397 |
| Non-current | <u>–</u> | <u>42,004</u> |
| | <u>14,610</u> | <u>56,401</u> |

As at 31 March 2017, other receivable with a carrying amount of HK\$39,424,000 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 of the Company 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 of the Company, 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\$10,138,000 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 Aoxian Yuan as set out above.

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 of the Company 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:

| | 2017 HK\$'000 | 2016 <i>HK\$'000</i> |
|--------------------------|--------------------------------|-------------------------|
| At 1 April | 74,467 | 74,467 |
| Provided during the year | 1,014 | – |
| At 31 March | 75,481 | 74,467 |

17. TRADE PAYABLES

| | 2017 HK\$'000 | 2016 <i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Trade payables | 47,980 | 60,386 |

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

| | 2017 HK\$'000 | 2016 <i>HK\$'000</i> |
|-----------------|--------------------------------|-------------------------|
| Within 90 days | 17,676 | 16,622 |
| 91 to 180 days | 1,158 | 2,176 |
| 181 to 365 days | 55 | 38,025 |
| Over 1 year | 29,091 | 3,563 |
| | 47,980 | 60,386 |

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

18. OTHER PAYABLES AND ACCRUALS

| | 2017 HK\$'000 | 2016 <i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Accruals | 12,899 | 8,241 |
| Deposits received | 28,582 | 31,348 |
| Other payables | 2,540 | 27,880 |
| | 44,021 | 67,469 |

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

19. DEFERRED INCOME

| | <i>HK\$'000</i> | |
|--|------------------------|-----------------|
| At 1 April 2015 | | 15,361 |
| Arising from acquisition | | 2,960 |
| Additions during the year | | 1,683 |
| Released to profit or loss | | (2,482) |
| Exchange realignment | | (686) |
| | | <hr/> |
| At 31 March 2016 and 1 April 2016 | | 16,836 |
| Additions during the year | | 2,636 |
| Released to profit or loss | | (2,682) |
| Exchange realignment | | (978) |
| | | <hr/> |
| At 31 March 2017 | | 15,812 |
| | | <hr/> |
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Analysed into: | | |
| Current | 2,974 | 3,017 |
| Non-current | 12,838 | 13,819 |
| | <hr/> | <hr/> |
| | 15,812 | 16,836 |
| | <hr/> | <hr/> |

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).

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

| 2017 | | | |
|---|-----------------------------------|-----------------------------|----------|
| | Effective interest rate (%) | Maturity | HK\$'000 |
| Current | | | |
| Bank loans | | | |
| – guaranteed (note (a)) | 5.66 – 6.00 | July 2017 – October 2017 | 61,952 |
| Current portion of long term bank loans | | | |
| – secured (note (b)) | 4.90 | October 2017 | 12,852 |
| Other borrowings | | | |
| – unsecured | 9.24 – 12.00 | June 2017 – March 2018 | 731 |
| Bonds payable | | | |
| – secured (note (c)) | 7.61 (Semi-annually) | November 2017 | 89,941 |
| | | | <hr/> |
| | | | 165,476 |
| Non-current | | | |
| Bank loans | | | |
| – Secured (note (b)) | 4.90 | October 2018 – October 2023 | 141,351 |
| Other borrowings | | | |
| – unsecured | 9.24 | August 2018 | 146 |
| | | | <hr/> |
| | | | 141,497 |
| | | | <hr/> |
| | | | 306,973 |
| | | | <hr/> |
| 2016 | | | |
| | Effective interest rate (%) | Maturity | HK\$'000 |
| Current | | | |
| Bank loans | | | |
| – secured (note (d)) | 5.50 | December 2016 | 26,103 |
| – guaranteed (note (a)) | 5.85 – 6.18 | May 2016 – July 2016 | 33,003 |
| | | | <hr/> |
| | | | 59,106 |
| Non-current | | | |
| Bank loans | | | |
| – secured (note (b)) | 5.95 – 6.18 | May 2017 – November 2019 | 65,407 |
| Other borrowings | | | |
| – unsecured | 12.00 | June 2017 | 1,981 |
| Bonds payable | | | |
| – secured (note (c)) | 7.61 (Semi-annually) | November 2017 | 89,583 |
| | | | <hr/> |
| | | | 156,971 |
| | | | <hr/> |
| | | | 216,077 |
| | | | <hr/> |

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | 74,804 | 59,106 |
| In the second year | 12,852 | 26,163 |
| In the third to fifth years, inclusive | 128,499 | 39,244 |
| | <u>216,155</u> | <u>124,513</u> |
| Other borrowings repayable: | | |
| Within one year or on demand | 90,672 | – |
| In the second year | 146 | 91,564 |
| | <u>90,818</u> | <u>91,564</u> |
| | <u>306,973</u> | <u>216,077</u> |

Notes:

- (a) The balances are guaranteed by certain directors of the Company and their family members, and a non-controlling shareholder of a subsidiary.
- (b) As at 31 March 2017, 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 of the Company and a non-controlling shareholder of a subsidiary.

As at 31 March 2016, the balances were secured by the pledge of certain of the Group's deposits with a financial institution amounting to HK\$1,080,000 and guaranteed by certain directors of the Company and their family members, a non-controlling shareholder of a subsidiary and a financial institution, and the pledge of certain of the Group's buildings.

- (c) On 17 November 2015 (the "issue date"), 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.

As set out in note 24, 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 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.

- (d) As at 31 March 2016, the balances were secured by the pledge of certain of the Group's bank deposits amounting to HK\$30,000,000.
- (e) Except for the bonds payable which are denominated in Hong Kong dollars, all borrowings are denominated in RMB.

21. AMOUNT DUE TO NON-CONTROLLING SHAREHOLDERS

| | 2017 HK\$'000 | 2016 HK\$'000 |
|-------------|--------------------------------|----------------------|
| Current | 7,836 | 49,123 |
| Non-current | — | 38,141 |
| | <u>7,836</u> | <u>87,264</u> |

As at 31 March 2017, the current portion of amount due to non-controlling shareholders of HK\$7,836,000 (2016: HK\$10,719,000) was non-trade in nature, unsecured, interest-free and repayable on demand.

As at 31 March 2016, the current portion of amount due to non-controlling shareholders of HK\$38,404,000 was arising from cash consideration unpaid to non-controlling shareholders. The non-current portion of amount due to non-controlling shareholders was non-trade in nature, unsecured, interest-free and repayable in November 2017. Such amount was recorded at amortised cost based on the market interest rate.

22. 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.

As set out in note 24, 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.

The convertible bonds recognised on initial recognition are as follows:

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

The movements in the host debt component for the year ended 31 March 2017 and 31 March 2016 are as follows:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---------------------------------|---------------------------------------|-------------------------|
| Host debt component at 1 April | 34,000 | – |
| Newly issued host debts | – | 32,531 |
| Interest expense | 22,100 | 3,694 |
| Interest payable | (7,623) | (2,225) |
| | <u>48,477</u> | <u>34,000</u> |
| Host debt component at 31 March | <u>48,477</u> | <u>34,000</u> |

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.

The movements in the derivative component embedded in the CB for the year ended 31 March 2017 and 31 March 2016 are as follows:

| | 2017 HK\$'000 | 2016 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Embedded derivatives component at 1 April | 9,700 | – |
| Newly issued | – | 17,300 |
| Fair value changes recognised in the statement of profit or loss (<i>note 5</i>) | (8,700) | (7,600) |
| | <hr/> 1,000 | <hr/> 9,700 |
| Embedded derivatives component at 31 March | | |

The fair values of the derivative component are determined based on the valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers, using the applicable option pricing model.

23. 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.

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.

24. EVENTS AFTER THE REPORTING DATE

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 and bonds in full at the redemption price equivalent to an aggregate of HK\$151,856,000 together with all outstanding and unpaid interest accrued and referral fee.

There was no other event occurring after the reporting date to be disclosed by the Group up to the approval date of the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Being the “pioneer” in the funeral industry in mainland China, the Group has abundant land resources reserves and advanced operation and management philosophy. With the core businesses of the Group continued to strengthen, we developed our business footprint in an orderly manner and further optimized industrial distribution that has been gradually opening up a gateway for strong growth of flagship projects and bringing about burgeoning impetus for new projects.

During the period under review, Zhejiang Anxian Yuan was a flagship project of the Group, which again posted a record high in its results and maintained a steadily rapid growth. Likewise, during the Year, two quality projects of the Group, namely Yin Chuan Fu Shou Yuan and Zunyi Dashenshan Cemeteries, also showed good momentum of development – The former achieved rapid growth and successfully met its operation targets, whilst the latter acted as another attempt by the Group to enter the market in the western China where it has shown strong market potential. With the linkage effect of “funeral parlor” and “cemetery”, it aims for deepening funeral reform and becoming a role model in comprehensive funeral services and facilities in the western region of the PRC.

The Group has been upholding its sense of mission and responsibility towards the industry and society, and proactively responding to the “Guiding Opinions on the Promotion of Land-Saving Ecological Burial” (「關於推行節地生態安置的指導意見」) which was jointly issued by nine ministries including the Ministry of Civil Affairs. An ecological art park with new concepts was set up at Zhejiang Anxian Yuan in order to advocate land-saving ecological burial, adhere to the green development concept and promote the construction of ecological civilization. The new concept of ecological art park is in the form of eco-protection cum art park by incorporating a variety of ecological burial methods with modern civilized spirit in a bid to explore a funeral development model which aligns with social development, shows ultimate quality of life and national-cultural spirit, and comprises the value and significance of the times and promotion. We are committed to contributing our efforts in propelling the funeral reform to a new height and to establishing a milepost for green funeral. Such moves attracted and received wide attention plus unanimous affirmation from the public that earned us a recognition as a regional patriotism education base. In addition, the Group was awarded the accolade of “Influencing with Zhejiang in 2015” (「感動浙江」) as one of the top 10 highlight enterprises in the funeral industry by Zhejiang Funeral Association.

In the new financial year, the Group will also persist in developing diversified and adaptive corporate culture, coupled with exploring market presence through strategic development with a focus on good market prospects and ample funeral resources in small and medium-sized cities in the country. Leveraging our keen insight and a wealth of management experience into the funeral industry, together with our success in the Hangzhou Haoletian Funeral Project which is wholly-owned by the Group, it bodes well for a balanced industrial pattern between “funeral” and “burial”. The Group will center on four aspects – expansion, rationalization, upgrading, and efficiency – contributing to an all-round augmentation of the core businesses of the Group by merging the traditional Chinese values with the cultural thoughts in the West. Simultaneously, we will continue to deepen and explore the modes and scope of cooperation with local governments and institutions for the elderly to build our capacity and consolidate our foundation paving the way for the Group to further capture opportunities in merger and acquisition, innovation and development.

FINANCIAL REVIEW

For the Year, the Group recorded net profit of approximately HK\$5.8 million (2016: approximately HK\$9.8 million) on turnover of approximately HK\$162 million (2016: approximately HK\$108 million). The Group’s earnings before interest and tax was approximately HK\$41.4 million (2016: approximately HK\$19.4 million). Decrease in the Group’s net profit by approximately HK\$4 million year-on-year was mainly due to higher finance costs.

The increase in turnover by approximately HK\$54 million (or approximately 50%) was mainly attributable to the generic growth of our flag ship cemetery, Zhejiang Anxian Yuan, coupled with the contributions from our two new members, Yin Chuan Fu Shou Yuan and Zunyi Dashenshan. Of the total turnover of approximately HK\$162 million, tomb sales amounted to approximately HK\$139 million (2016: approximately HK\$101 million). Total number of tomb sold for the Year was 2,126 units (2016: 1,247 units).

Gross assets and net assets of the Group as at 31 March 2017 were approximately HK\$1,155 million (2016: approximately HK\$1,221 million) and approximately HK\$554 million (2016: approximately HK\$590 million) respectively. The decrease in net assets was mainly due to devaluation of RMB against HK\$.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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 "CG 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 CG Code throughout the Year, except for the deviation from code provisions A.1.1 of the CG 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 (2016: Nil).

5. Review by Audit Committee

The audit committee of the Company has reviewed the annual results of the Group for the Year.

6. Scope of work of Ernst & Young

The financial figures in respect of the preliminary announcement of the Group's annual results for the Year have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Ernst & Young 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 Ernst & Young on the preliminary announcement.

7. Publication of Annual Report on the website of the Stock Exchange and the Company

The Company's annual report containing all information required by the Listing Rules will be despatched to Shareholders and published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.anxianyuanchina.com in due course.

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

Hong Kong, 21 June 2017

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Shi Hua, Mr. Shi Jun, Mr. Law Fei Shing and Ms. Shen Mingzhen; two non-executive director, namely Mr. Wang Hongjie and Mr. Cheng Gang; and four independent non-executive directors, namely Mr. Chan Koon Yung, Mr. Lai Chun Yu, Mr. Li Xigang and Mr. Lum Pak Sum.

GLOSSARY

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|---------------------------------------|---|
| Code | the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 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 Haoletian | 杭州好樂天禮儀服務有限公司 (in English, for identification purposes, Hangzhou Haoletian Etiquette Services Co., Ltd), a company established in the PRC with limited liability |
| 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) |
| 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 |

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|---------------------------|--|
| 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 |
| Shanghai Anxian Yuan | 安賢園 (上海) 陵園投資管理有限公司 (in English, for identification purpose, Anxian Yuan (Shanghai) Cemeteries Investment Management Company Limited), a limited liability company established in the China (Shanghai) Pilot Free Trade Zone under the laws of the PRC |
| 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 |
| Year | the year ended 31 March 2017 |
| 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 Dashenshan 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 |