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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 2018**

**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 2017 as follows:

\* For identification purposes only

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
REVENUE	5	206,609	161,584
Cost of sales		<u>(51,686)</u>	<u>(41,290)</u>
Gross profit		154,923	120,294
Other income and gains	5	1,729	9,495
Selling and distribution expenses		(19,185)	(18,424)
Administrative expenses		(82,693)	(70,001)
Finance costs	7	(15,754)	(28,649)
Share of profits and losses of an associate		<u>19</u>	<u>(8)</u>
PROFIT BEFORE TAX	6	39,039	12,707
Income tax expense	8	<u>(21,749)</u>	<u>(6,895)</u>
PROFIT FOR THE YEAR		<u>17,290</u>	<u>5,812</u>
Attributable to:			
Owners of the parent		16,730	6,240
Non-controlling interests		<u>560</u>	<u>(428)</u>
		<u>17,290</u>	<u>5,812</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (HK cents)			
– For profit for the year	9	<u>0.24</u>	<u>0.09</u>
Diluted (HK cents)			
– For profit for the year	9	<u>0.24</u>	<u>0.09</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u><b>17,290</b></u>	<u>5,812</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u><b>71,735</b></u>	<u>(41,824)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u><b>71,735</b></u>	<u>(41,824)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><b>89,025</b></u>	<u>(36,012)</u>
Attributable to:		
Owners of the parent	<u><b>83,589</b></u>	<u>(32,516)</u>
Non-controlling interests	<u><b>5,436</b></u>	<u>(3,496)</u>
	<u><b>89,025</b></u>	<u>(36,012)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	<i>Notes</i>	<b>31 March 2018 HK\$'000</b>	31 March 2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>125,172</b>	98,641
Investment properties		<b>243</b>	512
Intangible assets	<i>11</i>	<b>485,877</b>	441,439
Goodwill	<i>12</i>	<b>13,948</b>	12,589
Investment in an associate		<b>4,764</b>	4,281
Available-for-sale investments		<b>2,496</b>	2,253
Cemetery assets	<i>13</i>	<b>261,268</b>	229,857
		<hr/>	<hr/>
Total non-current assets		<b>893,768</b>	789,572
<b>CURRENT ASSETS</b>			
Inventories	<i>14</i>	<b>235,351</b>	182,578
Trade receivables	<i>15</i>	<b>1,559</b>	2,451
Prepayments, deposits and other receivables	<i>16</i>	<b>13,590</b>	70,335
Cash and cash equivalents		<b>47,836</b>	110,140
		<hr/>	<hr/>
Total current assets		<b>298,336</b>	365,504
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>17</i>	<b>29,817</b>	47,980
Other payables and accruals	<i>18</i>	<b>41,958</b>	44,021
Deferred income	<i>19</i>	<b>3,491</b>	2,974
Interest-bearing bank and other borrowings	<i>20</i>	<b>36,525</b>	165,476
Amount due to non-controlling shareholders	<i>21</i>	<b>924</b>	7,836
Liability component of convertible bonds		–	48,477
Derivative component of convertible bonds		–	1,000
Tax payable		<b>17,693</b>	12,913
		<hr/>	<hr/>
Total current liabilities		<b>130,408</b>	330,677
<b>NET CURRENT ASSETS</b>		<b>167,928</b>	34,827
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,061,696</b>	824,399
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***31 March 2018*

		<b>31 March 2018</b>	31 March
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>2017</i>
			<b><i>HK\$'000</i></b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>20</i>	<b>226,424</b>	141,497
Deferred income	<i>19</i>	<b>14,738</b>	12,838
Deferred tax liabilities		<b>131,106</b>	115,789
		<hr/>	<hr/>
Total non-current liabilities		<b>372,268</b>	270,124
		<hr/>	<hr/>
Net assets		<b>689,428</b>	554,275
		<hr/>	<hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	<i>22</i>	<b>740,545</b>	543,445
Reserves		<b>(101,964)</b>	(34,581)
		<hr/>	<hr/>
		<b>638,581</b>	508,864
		<hr/>	<hr/>
Non-controlling interests		<b>50,847</b>	45,411
		<hr/>	<hr/>
Total equity		<b>689,428</b>	554,275
		<hr/>	<hr/>

## NOTES TO FINANCIAL STATEMENTS

31 March 2018

### 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 the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the derivative components of convertible bonds measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

The nature and the impact of the amendments are described below:

- (a) 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.
- (b) Amendments to HKAS 12 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 amendments have had no impact on the financial position or performance of the Group.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no subsidiaries classified as a disposal group held for sale as at 31 March 2018.

### 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> <sup>1</sup>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>2</sup>
Amendments to HKAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28 <sup>1</sup>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> 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 described below. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

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 an 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will 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 will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During the year ended 31 March 2018, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

**(a) Classification and measurement**

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

**(b) Impairment**

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect the loss allowance to be significantly different upon application of the expected credit loss model.

HKFRS 15, issued in July 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. The Group expects that the transitional adjustment to be made on 1 April 2018 upon initial adoption of HKFRS 15 will not be material. During the year ended 31 March 2018, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15. Based on the assessment, the Group anticipates that the adoption of HKFRS 15 is unlikely to have any significant impact on the revenue recognition except for the presentation and disclosures as follows.

The Group's principal activities consist of cemetery business. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

**(a) Presentation and disclosure**

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

HKFRS 16, issued in May 2016, 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

#### 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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Mainland China	<u>206,609</u>	<u>161,584</u>

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

###### (b) Non-current assets

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	550	749
Mainland China	<u>890,722</u>	<u>786,570</u>
	<u>891,272</u>	<u>787,319</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 ended 31 March 2018 (2017: 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Revenue</b>		
Sales of tombs and niches	183,156	139,174
Management fee income	2,873	2,695
Burial service	19,617	18,898
Sales of funeral supplies	963	817
	<u>206,609</u>	<u>161,584</u>
<b>Other income and gains</b>		
Gain on disposal of items of property, plant and equipment	106	11
Bank interest income	234	148
Fair value gain of the derivative component of convertible bonds	1,000	8,700
Others	389	636
	<u>1,729</u>	<u>9,495</u>

## 6. PROFIT BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of inventories sold	36,462	27,659
Cost of services provided	5,709	5,258
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	37,810	35,796
Amortisation of intangible assets ( <i>note 11</i> ) *	3,071	2,643
Amortisation of cemetery assets ( <i>note 13</i> ) *	6,444	5,730
Auditor's remuneration	1,339	1,200
Depreciation		
– Property, plant and equipment ( <i>note 10</i> )	9,957	9,338
– Investment properties	307	299
Provision for impairment of other receivables ( <i>note 16</i> )	–	1,014
Foreign exchange differences, net	853	(334)
Minimum lease payments under operating leases	5,513	3,599
	<u>5,513</u>	<u>3,599</u>

\* *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:

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Interest on interest-bearing bank and other borrowings (including convertible bonds)	<b>27,172</b>	46,597
<i>Less:</i> Interest capitalised	<b>(11,418)</b>	(17,948)
	<b>15,754</b>	28,649

## 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% (2017: 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:

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Current tax		
Income tax in the PRC for the year	<b>17,601</b>	11,034
Reversal of overprovision in prior years	–	(7,861)
Deferred tax	<b>4,148</b>	3,722
Total tax charge for the year	<b>21,749</b>	6,895

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:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before tax	<b>39,039</b>	12,707
Tax at the statutory tax rate of 25%	<b>9,760</b>	3,177
Effect of withholding tax on distributable profit of the Group's PRC subsidiaries	<b>2,063</b>	832
Tax effect of different taxation rates in other tax jurisdictions	<b>3,188</b>	3,672
Income not subject to tax	<b>(165)</b>	(1,436)
Expenses not deductible for tax	<b>4,071</b>	5,990
Tax losses utilised from prior years	<b>(976)</b>	(848)
Tax losses not recognised	<b>3,265</b>	3,132
Underprovision in prior years	<b>543</b>	237
Reversal of overprovision in prior years	<b>–</b>	(7,861)
Total tax charge for the year	<b>21,749</b>	6,895

## 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 7,081,861,000 (2017: 6,934,453,000) 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 of 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 ended 31 March 2018 in respect of a dilution as the impact of convertible bonds 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:

	<b>2018</b> <b>HK\$'000</b>	2017 <b>HK\$'000</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<b>16,730</b>	6,240
Interest on convertible bonds	<b>2,873</b>	22,100
Less: Fair value gain of the derivative component of convertible bonds ( <i>note 5</i> )	<b>(1,000)</b>	(8,700)
	<hr/> <b>18,603*</b>	<hr/> 19,640*
	<b>Number of shares 2018 ( '000)</b>	<b>Number of shares 2017 ( '000)</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>7,081,861</b>	6,934,453
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	2,226
Convertible bonds	<b>42,079</b>	333,890
	<hr/> <b>7,123,940*</b>	<hr/> 7,270,569*

\* *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\$16,730,000 (2017: HK\$6,240,000) and the weighted average number of ordinary shares of 7,081,861,000 (2017: 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>
<b>Cost:</b>					
At 31 March 2017 and 1 April 2017	99,633	6,406	12,248	1,099	119,386
Additions	22,323	4,401	328	16	27,068
Disposals	(378)	–	(1,920)	–	(2,298)
Exchange realignment	10,761	639	1,152	63	12,615
	<u>132,339</u>	<u>11,446</u>	<u>11,808</u>	<u>1,178</u>	<u>156,771</u>
At 31 March 2018	132,339	11,446	11,808	1,178	156,771
<b>Accumulated depreciation:</b>					
At 31 March 2017 and 1 April 2017	(10,883)	(2,673)	(6,202)	(987)	(20,745)
Charge for the year ( <i>note 6</i> )	(6,189)	(1,779)	(1,949)	(40)	(9,957)
Disposals	270	–	1,409	–	1,679
Exchange realignment	(1,515)	(340)	(670)	(51)	(2,576)
	<u>(18,317)</u>	<u>(4,792)</u>	<u>(7,412)</u>	<u>(1,078)</u>	<u>(31,599)</u>
At 31 March 2018	(18,317)	(4,792)	(7,412)	(1,078)	(31,599)
<b>Net carrying amount:</b>					
At 31 March 2017	<u>88,750</u>	<u>3,733</u>	<u>6,046</u>	<u>112</u>	<u>98,641</u>
At 31 March 2018	<u>114,022</u>	<u>6,654</u>	<u>4,396</u>	<u>100</u>	<u>125,172</u>

As at 31 March 2018 and 2017, none of Group's property, plant and equipment was pledged.

	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>
<b>Cost:</b>					
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)
	<u>99,633</u>	<u>6,406</u>	<u>12,248</u>	<u>1,099</u>	<u>119,386</u>
At 31 March 2017	99,633	6,406	12,248	1,099	119,386
<b>Accumulated depreciation:</b>					
At 31 March 2016 and 1 April 2016	(5,846)	(1,269)	(4,548)	(759)	(12,422)
Charge for the year ( <i>note 6</i> )	(5,513)	(1,473)	(2,101)	(251)	(9,338)
Disposals	–	–	147	–	147
Exchange realignment	476	69	300	23	868
	<u>(10,883)</u>	<u>(2,673)</u>	<u>(6,202)</u>	<u>(987)</u>	<u>(20,745)</u>
At 31 March 2017	(10,883)	(2,673)	(6,202)	(987)	(20,745)
<b>Net carrying amount:</b>					
At 31 March 2016	<u>97,585</u>	<u>4,553</u>	<u>6,945</u>	<u>362</u>	<u>109,445</u>
At 31 March 2017	<u>88,750</u>	<u>3,733</u>	<u>6,046</u>	<u>112</u>	<u>98,641</u>

## 11. INTANGIBLE ASSETS

HK\$'000

### Cost:

At 1 April 2016	488,373
Exchange realignment	<u>(30,002)</u>

At 31 March 2017 and 1 April 2017	458,371
Exchange realignment	<u>49,506</u>

At 31 March 2018	<u>507,877</u>
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### Accumulated amortisation:

At 1 April 2016	(15,284)
Charge for the year ( <i>note 6</i> )	(2,643)
Exchange realignment	<u>995</u>

At 31 March 2017 and 1 April 2017	(16,932)
Charge for the year ( <i>note 6</i> )	(3,071)
Exchange realignment	<u>(1,997)</u>

At 31 March 2018	<u>(22,000)</u>
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### Net carrying amount:

At 31 March 2017	<u>441,439</u>
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At 31 March 2018	<u>485,877</u>
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Intangible assets represent cemetery operating licences, which were acquired through business combinations 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 2016	13,340
Exchange realignment	<u>(751)</u>
At 31 March 2017 and 1 April 2017	12,589
Exchange realignment	<u>1,359</u>
At 31 March 2018	<u>13,948</u>

### Accumulated impairment:

At 31 March 2017 and 2018	<u>–</u>
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### Net carrying amount:

At 31 March 2017	<u>12,589</u>
At 31 March 2018	<u>13,948</u>

The carrying amounts of goodwill are as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Yin Chuan Fu Shou Yuan	<u>13,948</u>	<u>12,589</u>
	<b><u>13,948</u></b>	<b><u>12,589</u></b>

The impairment test was based on the recoverable amount of the cash-generating unit (“CGU”). During the year ended 31 March 2018, 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 discount rates, 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

	<b>Land costs</b> <i>HK\$'000</i>	<b>Landscape facilities</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost:</b>			
At 1 April 2016	27,264	215,202	242,466
Additions	–	34,823	34,823
Transfer to inventories	(399)	(4,281)	(4,680)
Exchange realignment	(1,675)	(13,294)	(14,969)
	<hr/>	<hr/>	<hr/>
At 31 March 2017 and 1 April 2017	25,190	232,450	257,640
Additions	–	21,312	21,312
Transfer to inventories	(569)	(8,291)	(8,860)
Exchange realignment	2,721	26,000	28,721
	<hr/>	<hr/>	<hr/>
At 31 March 2018	27,342	271,471	298,813
	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation:</b>			
At 1 April 2016	(128)	(23,864)	(23,992)
Provided for the year ( <i>note 6</i> )	(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 and 1 April 2017	(547)	(27,236)	(27,783)
Provided for the year ( <i>note 6</i> )	(513)	(5,931)	(6,444)
Eliminated on transfer	95	174	269
Exchange realignment	(89)	(3,498)	(3,587)
	<hr/>	<hr/>	<hr/>
At 31 March 2018	(1,054)	(36,491)	(37,545)
	<hr/>	<hr/>	<hr/>
<b>Carrying value:</b>			
At 31 March 2017	<u>24,643</u>	<u>205,214</u>	<u>229,857</u>
At 31 March 2018	<u>26,288</u>	<u>234,980</u>	<u>261,268</u>

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

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Inventories		
– Tombs	<u>235,351</u>	<u>182,578</u>

As at 31 March 2018, inventories of approximately HK\$195,237,000 (2017: HK\$151,355,000) were expected to be recovered in more than one year.

#### 15. TRADE RECEIVABLES

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Trade receivables	<u>1,559</u>	<u>2,451</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:

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Within 60 days	777	–
61 to 90 days	401	2,451
91 to 180 days	<u>381</u>	<u>–</u>
Neither past due nor impaired	<u>1,559</u>	<u>2,451</u>

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

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Neither past due nor impaired	<u>1,559</u>	<u>2,451</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

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Prepayments	<b>3,515</b>	14,610
Deposits and other receivables	<b>85,601</b>	131,206
	<b>89,116</b>	145,816
Provision for impairment loss	<b>(75,526)</b>	(75,481)
	<b>13,590</b>	70,335

As at 31 March 2017, other receivables with a carrying amount of HK\$39,424,000 (equivalent to RMB35,000,000) 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 a 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.

As at 31 March 2017, other receivables with a carrying amount of HK\$10,138,000 (equivalent to RMB9,000,000) 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 Jiing Yongan transferred to Shanghai Anxian Yuan as set out above.

During the year, an amount of HK\$49,920,000 (equivalent to RMB40,000,000) has been received. The remaining balance of HK\$4,992,000 (equivalent to RMB4,000,000) is expected to be received in October 2018.

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:

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
At 1 April	<b>75,481</b>	74,467
Provided during the year ( <i>note 6</i> )	–	1,014
Exchange difference	<b>45</b>	–
	<hr/>	<hr/>
At 31 March	<b>75,526</b>	75,481
	<hr/>	<hr/>

#### 17. TRADE PAYABLES

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Trade payables	<b>29,817</b>	47,980
	<hr/>	<hr/>

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

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Within 90 days	<b>5,289</b>	17,676
91 to 180 days	<b>6,248</b>	1,158
181 to 365 days	<b>9,521</b>	55
Over 1 year	<b>8,759</b>	29,091
	<hr/>	<hr/>
	<b>29,817</b>	47,980
	<hr/>	<hr/>

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

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Accruals	<b>8,355</b>	12,899
Deposits received	<b>23,569</b>	28,582
Other payables	<b>10,034</b>	2,540
	<hr/>	<hr/>
	<b>41,958</b>	44,021
	<hr/>	<hr/>

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

## 19. DEFERRED INCOME

	<i>HK\$'000</i>	
<b>At 1 April 2016</b>		16,836
Additions during the year		2,636
Released to profit or loss		(2,682)
Exchange realignment		(978)
		<hr/>
<b>At 31 March 2017 and 1 April 2017</b>		15,812
Additions during the year		3,740
Released to profit or loss		(2,873)
Exchange realignment		1,550
		<hr/>
<b>At 31 March 2018</b>		<b>18,229</b>
		<hr/>
	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Analysed into:		
Current	<b>3,491</b>	2,974
Non-current	<b>14,738</b>	12,838
	<hr/>	<hr/>
	<b>18,229</b>	15,812
	<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

2018			
	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>			
Bank loans			
– guaranteed (note (a))	5.08	July 2018	6,240
Current portion of long term bank loans – secured (note (b))	4.90-6.47	October 2018 – December 2018	17,635
Other borrowings			
– unsecured	9.07	August 2018	170
Other borrowings			
– guaranteed (note (e))	24	March 2020 with repayment on demand clause	12,480
			<u>36,525</u>
<b>Non-current</b>			
Bank loans			
– Secured (note (b))	4.90-6.47	October 2019 – December 2023	176,424
Other borrowings			
– guaranteed (note (c))	15	May 2019	50,000
			<u>226,424</u>
			<u>262,949</u>
2017			
	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>			
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 (d))	7.61 (Semi-annually)	November 2017	89,941
			<u>165,476</u>
<b>Non-current</b>			
Bank loans			
– Secured (note (b))	4.90	October 2018 – October 2023	141,351
Other borrowings			
– unsecured	9.24	August 2018	146
			<u>141,497</u>
			<u>306,973</u>

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	<b>23,875</b>	74,804
In the second year	<b>29,391</b>	12,852
In the third to fifth years, inclusive	<b>147,033</b>	128,499
	<b>200,299</b>	216,155
Other borrowings repayable:		
Within one year or on demand	<b>12,650</b>	90,672
In the second year	<b>50,000</b>	146
	<b>62,650</b>	90,818
	<b>262,949</b>	306,973

*Notes:*

- (a) As at 31 March 2018, the balances are guaranteed by a non-controlling shareholder of a subsidiary.

As at 31 March 2017, 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 2018, the Group's bank loans amounting to HK\$194,059,000 (2017: HK\$154,203,000) were secured by non-controlling shareholders' shares in subsidiaries, and buildings owned by a non-controlling shareholder, and are guaranteed by certain directors of the Company and a non-controlling shareholder of a subsidiary.

- (c) The balances are guaranteed by Mr. Shi Hua.

- (d) 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.

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.

- (e) The balance is guaranteed by certain directors of the Company and due in March 2020. As this loan contains a repayment on demand clause, the whole loan is classified as current liability accordingly.
- (f) Except for the other borrowings as set out in note (c) and the bonds payable as set out in note (d) which are denominated in Hong Kong dollars, all borrowings are denominated in RMB.

## 21. AMOUNT DUE TO NON-CONTROLLING SHAREHOLDERS

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Amount due to non-controlling shareholders	<b>924</b>	7,836

As at 31 March 2018, the amount due to non-controlling shareholders of HK\$924,000 (2017: HK\$7,836,000) was non-trade in nature, unsecured, interest-free and repayable on demand.

## 22. SHARE CAPITAL

### Shares

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Issued and fully paid: 7,405,453,000 (2017: 5,434,453,000) ordinary shares	<b>740,545</b>	543,445

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

	<b>Number of shares ( '000)</b>	<b>Nominal value <i>HK\$'000</i></b>
Issued and fully paid:		
At 1 April 2016, 31 March 2017 and 1 April 2017	5,434,453	543,445
Conversion of convertible notes ("CN") ( <i>note (a)</i> )	1,500,000	150,000
Equity-settled share option arrangements ( <i>note (b)</i> )	11,000	1,100
Issue of shares ( <i>note (c)</i> )	460,000	46,000
At 31 March 2018	<b>7,405,453</b>	<b>740,545</b>

### Notes:

- (a) On 15 November 2017, part of the CN with an aggregate principal amount of HK\$35,000,000 with a corresponding fair value of HK\$15,650,000 were converted at the conversion price of HK\$0.10 each into 350,000,000 ordinary shares of the Company at HK\$0.10 each. An amount of HK\$19,350,000, representing the difference between the principal amount of the shares and the corresponding fair value of the CN, was charged to share premium account.

On 21 December 2017, part of the CN with an aggregate principal amount of HK\$50,000,000 with a corresponding fair value of HK\$22,358,000 were converted at the conversion price of HK\$0.10 each into 500,000,000 ordinary shares of the Company at HK\$0.10 each. An amount of HK\$27,642,000, representing the difference between the principal amount of the shares and the corresponding fair value of the CN, was charged to share premium account.

On 3 January 2018, part of the CN with an aggregate principal amount of HK\$65,000,000 with a corresponding fair value of HK\$29,065,000 were converted at the conversion price of HK\$0.10 each into 650,000,000 ordinary shares of the Company at HK\$0.10 each. An amount of HK\$35,935,000, representing the difference between the principal amount of the shares and the corresponding fair value of the CN, was charged to share premium account.

- (b) On 28 November 2017, the subscription rights attaching to 11,000,000 share options were exercised at the subscription price of HK\$0.101 per share, resulting in the issue of 11,000,000 shares for a total cash consideration of HK\$1,111,000.
- (c) On 7 December 2017, 460,000,000 shares were issued for cash at a subscription price of HK\$0.10 per share for a total cash consideration, before expenses, of HK\$46,000,000.

All new shares issued during the year ended 31 March 2018 rank *pari passu* with other shares in issue in all respects.

### 23. RELATED PARTY TRANSACTIONS

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

#### (a) Other transactions with related parties

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Consultancy fee to non-controlling shareholder in which the controlling shareholder of the Company has control ( <i>note (i)</i> )	1,607	–
Rental expense to non-controlling shareholder in which the controlling shareholder of the Company has control ( <i>note (i)</i> )	282	–
Other borrowings obtained from a related company in which one of the executive directors has control ( <i>note (ii)</i> )	100,000	–
Interest expense to a related company in which one of the executive directors has control ( <i>note (ii)</i> )	<u>11,313</u>	<u>–</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 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. During the year, the Group settled an amount of HK\$50,000,000.

Certain directors has guaranteed the bank loans and the other borrowings. Details are set out in note 20 of this announcement.

**(b) Outstanding balances with related parties**

- (i) The Group had outstanding balances to the non-controlling shareholders of HK\$924,000 (2017: HK\$7,836,000) as at the end of the reporting period. The amount was non-trade in nature, unsecured, interest-free and repayable on demand as disclosed in note 21 of this announcement.
- (ii) As mentioned in note 23 (a) (ii) above, 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\$50,000,000 (2017: nil) as at the end of reporting period. The balance was unsecured, guaranteed by Mr. Shi Hua, bearing an interesting rate of 15% per annum and repayable in May 2019 as disclosed in note 20 of this announcement.

**(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.

**24. EVENTS AFTER THE REPORTING DATE**

There was no 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

As one of the top enterprises in the funeral and burial industry in the PRC, the Group not only possesses tremendous land reserve resources and years of industrial management experience, but is also capable of planning a more strategic layout by grasping the development progress of the industry. Along with the stable construction of the core businesses of the Group and the surging development year by year, a strong growth momentum is shown in respect of both coverage expansion progress and the general results of the industry.

During the period under review, strictly following with the “Guiding Opinion on further promoting the funeral and burial reform and encouraging the development of the funeral and burial industry” promulgated by sixteen ministries including the Ministry of Civil Affairs, the Group proactively pushed forward the sustainable funeral and burial model and further organised the development and management of all cemeteries while continuously cultivating the core businesses in order to realise the comprehensive development of “funeral” and “burial” businesses. Zhejiang Anxian Yuan has become one of the top-notch ecological and humanistic cemeteries in the province and even in the PRC, where numerous celebrities, martyrs and masters are buried. In addition to solidifying the development of the core business, Zhejiang Anxian Yuan, the Group also enhanced the continuous investment in Yin Chuan Fu Shou Yuan and Zunyi Dashenshan Cemeteries while actualising the new concept of green funeral and burial by leveraging its experience in developing Yin Chuan Fu Shou Yuan and Zunyi Dashenshan Cemeteries and gradually accelerating the business development progress in other areas to enhance the profitability of the Group and achieve the dual goals of branding and benefit enhancement. With regard to management, the Group persists in implementing the internal management and training systems every year, allowing the “Anxian Member” humanistic spirit and working concept to deeply penetrate all bases and projects. By upgrading the overall quality of the management members of the Group, the Group accelerated the reserve of talents and upgraded the management structure in order to provide an internal boost to the sustainable development of the Group. Meanwhile, adhering to the concept of respecting life and green civilisation as well as fostering a harmonious relationship between human and nature, the Group consistently fulfilled its social responsibility and continuously participated in various public welfare activities with the scope covering cultural education, charity and poverty alleviation and environment protection, which gained appreciation from the society. Zhejiang Anxian Yuan was accredited a civilised entity in Zhejiang, being the first cemetery given such honour in the province.

In the new financial year, the Group will continue to expand its businesses with an aim to achieve global coverage. By adopting expansion, upgrade and efficiency as the guiding concept of the enterprise for the year, the Group will formulate diversified strategies and continuously explore the elderly industry while consolidating and developing the funeral and burial industry. Persisting in the core value of green burial, the Group will strive to promote the modern, green and humanistic reformation of Chinese funeral and burial and endeavour to lay down a benchmark for Chinese funeral and burial enterprises, in order to achieve the dual goals of efficiency and branding enhancement.

## **FINANCIAL REVIEW**

For the Year, the Group recorded net profit of approximately HK\$17.3 million (2017: approximately HK\$5.8 million) and revenue of approximately HK\$207 million (2017: approximately HK\$162 million). The Group's profit before interest and tax was approximately HK\$54.8 million (2017: approximately HK\$41.4 million). Increase in the Group's net profit by approximately HK\$11.5 million year-on-year was mainly due to higher level of revenue and lower finance costs.

The increase in revenue by approximately HK\$45 million (or approximately 28%) was mainly attributable to the growth of our flag ship cemetery, Zhejiang Anxian Yuan, coupled with the contributions from our two members, Yin Chuan Fu Shou Yuan and Zunyi Dashenshan. Of the total revenue of approximately HK\$207 million, tomb sales amounted to approximately HK\$183 million (2017: approximately HK\$139 million). Total number of tomb sold for the Year was 2,401 units (2017: 2,126 units).

Total assets and net assets of the Group as at 31 March 2018 were approximately HK\$1,192 million (2017: approximately HK\$1,155 million) and approximately HK\$689 million (2017: approximately HK\$554 million) respectively. The increase in net assets was mainly due to appreciation of RMB against HK\$ and net profit for the Year.

## **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 and A.6.7 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.

#### *Code provision A.6.7 of the Code*

Code provision A.6.7 of the Code provides that independent non-executive directors and other non-executive directors, as equal board members as other directors, should attend general meetings of the company. Due to business commitment, Mr. Wang Hongjie, a Non-executive Director, was unable to attend the AGM held on 22 September 2017.

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 (2017: 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](http://www.hkexnews.hk) and the website of the Company at [www.anxianyuanchina.com](http://www.anxianyuanchina.com) in due course.

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

Hong Kong, 22 June 2018

*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. Lai Chun Yu and Mr. Lum Pak Sum.*

## GLOSSARY

The following expressions shall have the following meanings unless the context otherwise requires:

AGM	annual general meeting
Audit Committee	the audit committee of the Company
Board	the board of Directors
Bye-laws	the bye-laws of the Company, as amended from time to time
Chief Executive Officer	the chief executive officer of the Company
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
Company Secretary	the company secretary of the Company
Director(s)	the director(s) of the Company
Executive Director(s)	the executive Director(s)
Group	the Company and its subsidiaries
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
Nomination Committee	the nomination committee of the Company
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
Remuneration Committee	the remuneration committee of the Company
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)

Stock Exchange	The Stock Exchange of Hong Kong Limited
Year	the year ended 31 March 2018
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