

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

The Board of the Company announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2016 together with the comparative figures as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*Six months ended 30 September 2016*

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	4	<b>74,424</b>	51,866
Cost of sales		<u><b>(19,302)</b></u>	<u>(12,132)</u>
<b>Gross profit</b>		<b>55,122</b>	39,734
Other income and gains	4	<b>5,479</b>	76
Selling and distribution expenses		<b>(7,320)</b>	(4,412)
Administrative expenses		<b>(30,782)</b>	(31,258)
Finance costs	6	<b>(8,461)</b>	(538)
Share of (loss)/profits of associates		<u><b>(5)</b></u>	<u>436</u>
<b>Profit before tax</b>	5	<b>14,033</b>	4,038
Income tax expense	7	<u><b>(2,595)</b></u>	<u>(1,503)</u>

\* *For identification purposes only*

		Unaudited	
		Six months ended	
		30 September	
		2016	2015
	Notes	HK\$'000	HK\$'000
<b>Profit for the period</b>		<u>11,438</u>	<u>2,535</u>
Attributable to:			
Owners of the parent		11,486	2,255
Non-controlling interests		<u>(48)</u>	<u>280</u>
		<u>11,438</u>	<u>2,535</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic ( <i>HK cents</i> )			
– For profit for the period	8	<u>0.17</u>	<u>0.03</u>
Diluted ( <i>HK cents</i> )			
– For profit for the period	8	<u>0.16</u>	<u>0.03</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Six months ended 30 September 2016*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Profit for the period</b>	<b><u>11,438</u></b>	<b><u>2,535</u></b>
<b>Other comprehensive loss</b>		
<b>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</b>		
Exchange differences on translation of foreign operations	<u>(21,258)</u>	<u>(19,681)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u>(21,258)</u>	<u>(19,681)</u>
<b>Total comprehensive loss for the period</b>	<b><u>(9,820)</u></b>	<b><u>(17,146)</u></b>
Attributable to:		
Owners of the parent	(8,160)	(16,904)
Non-controlling interests	<u>(1,660)</u>	<u>(242)</u>
	<b><u>(9,820)</u></b>	<b><u>(17,146)</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**30 September 2016**

		Unaudited 30 September 2016 <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		105,394	109,445
Investment properties		679	857
Intangible assets	9	456,553	473,089
Goodwill		13,340	13,340
Investment in an associate		4,241	4,560
Available-for-sale investments		2,323	2,400
Prepayments	13	–	42,004
Cemetery assets	10	216,218	218,474
		<hr/>	<hr/>
Total non-current assets		798,748	864,169
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories	11	169,558	168,947
Trade receivables	12	1,455	1,034
Prepayments, deposits and other receivables	13	84,645	45,668
Pledged deposits		31,045	31,080
Cash and cash equivalents		61,743	109,911
		<hr/>	<hr/>
Total current assets		348,446	356,640
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	14	48,146	60,386
Other payables and accruals		66,022	67,469
Deferred income	15	2,986	3,017
Interest-bearing bank and other borrowings		69,906	59,106
Amount due to non-controlling shareholders		14,939	49,123
Derivative component of convertible bonds	16	4,600	9,700
Tax payable		14,638	19,885
		<hr/>	<hr/>
Total current liabilities		221,237	268,686
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		127,209	87,954
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		925,957	952,123
		<hr/>	<hr/>

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 September</b>	<b>31 March</b>
		<b>2016</b>	<b>2016</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Liability component of convertible bonds	16	<b>36,196</b>	34,000
Interest-bearing bank and other borrowings		<b>141,336</b>	156,971
Deferred income	15	<b>13,192</b>	13,819
Amount due to non-controlling shareholders		<b>37,794</b>	38,141
Deferred tax liabilities		<b>116,972</b>	118,905
		<hr/>	<hr/>
Total non-current liabilities		<b>345,490</b>	361,836
		<hr/>	<hr/>
<b>Net assets</b>		<b>580,467</b>	590,287
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>543,445</b>	543,445
Reserves		<b>(10,225)</b>	(2,065)
		<hr/>	<hr/>
		<b>533,220</b>	541,380
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>47,247</b>	48,907
		<hr/>	<hr/>
<b>Total equity</b>		<b>580,467</b>	590,287
		<hr/>	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

## 1. CORPORATE AND GROUP INFORMATION

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

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

## 2.1 BASIS OF PREPARATION

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

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

These financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2016.

## 2.2 NEW AND REVISED HKFRSs ADOPTED BY THE GROUP

Except as described below, the accounting policies used in the condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016. In the Period, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

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

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

### 3. OPERATING SEGMENT INFORMATION

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

#### Geographical information

##### (a) Revenue from external customers

	Unaudited Six months ended 30 September 2016 HK\$'000	2015 HK\$'000
Mainland China	<u>74,424</u>	<u>51,866</u>

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

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

	Unaudited As at 30 September 2016 HK\$'000	Audited As at 31 March 2016 HK\$'000
Hong Kong	923	415
Mainland China	<u>795,502</u>	<u>861,354</u>
	<u>796,425</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 six months ended 30 September 2016 and 30 September 2015.

### 4. REVENUE, OTHER INCOME AND GAINS

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

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

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
<b>Revenue</b>		
Sales of tombs and niches	63,849	48,727
Management fee income	1,370	1,252
Burial service	8,848	1,556
Sales of funeral supplies	357	331
	<u>74,424</u>	<u>51,866</u>
<b>Other income and gains</b>		
Gain on disposal of items of property, plant and equipment	12	13
Bank interest income	55	63
Fair value gain of derivative component of convertible bonds (note 16)	5,100	–
Others	312	–
	<u>5,479</u>	<u>76</u>

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Cost of inventories sold	13,116	9,388
Cost of services provided	1,988	153
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	15,042	8,983
Amortisation of intangible assets (note 9)*	1,318	948
Amortisation of cemetery assets (note 10)*	2,880	1,643
Auditors' remuneration	600	611
Depreciation		
– Property, plant and equipment	4,522	2,000
– Investment properties	152	162
Foreign exchange differences, net	(236)	–
Minimum lease payments under operating leases	<u>1,693</u>	<u>1,141</u>

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



## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Interest on interest-bearing bank borrowings (including convertible bonds)	16,303	3,257
Less: Interest capitalised	(7,842)	(2,719)
	<u>8,461</u>	<u>538</u>

## 7. INCOME TAX

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

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

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

Provision for Mainland China current income tax is based on the statutory rate of 25% (2015: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

The major components of income tax expense are as follows:

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Current tax		
Income tax in the PRC for the period	4,933	5,614
Reversal of overprovision in prior years	(4,006)	(5,250)
Deferred tax	<u>1,668</u>	<u>1,139</u>
Total tax charge for the period	<u>2,595</u>	<u>1,503</u>

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

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,934,453,000 (2015: 6,867,269,000) in issue during the Period.

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

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

	Unaudited Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	11,486	2,255
Interest on convertible bonds ( <i>note 16</i> )	5,184	–
Less: Fair value gain on the derivative component of convertible bonds ( <i>note 16</i> )	(5,100)	–
Profit attributable to ordinary equity holders of the parent, before the effect of convertible bonds	<u>11,570</u>	<u>2,255</u>
	Unaudited Six months ended 30 September	
	2016 Number of shares (‘000)	2015 Number of shares (‘000)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,934,453	6,867,269
Effect of dilution – weighted average number of ordinary shares:		
Share options	13,282	58,118
Convertible bonds	<u>333,889</u>	<u>–</u>
	<u>7,281,624</u>	<u>6,925,387</u>

## 9. INTANGIBLE ASSETS

HK\$'000

### Cost:

Audited

At 1 April 2015

406,439

Acquisition of subsidiaries

101,686

Exchange realignment

(19,752)

At 31 March 2016

488,373

Unaudited

**At 1 April 2016**

**488,373**

Exchange realignment

(15,723)

**At 30 September 2016**

**472,650**

### Accumulated amortisation:

Audited

At 1 April 2015

(14,007)

Charge for the year

(2,007)

Exchange realignment

730

At 31 March 2016

(15,284)

Unaudited

**At 1 April 2016**

**(15,284)**

Charge for the Period

**(1,318)**

Exchange realignment

**505**

**At 30 September 2016**

**(16,097)**

### Net carrying amount:

At 31 March 2016 (Audited)

473,089

**At 30 September 2016 (Unaudited)**

**456,553**

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

## 10. 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>			
Audited			
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)
	<u>27,264</u>	<u>215,202</u>	<u>242,466</u>
At 31 March 2016			
Unaudited			
<b>At 1 April 2016</b>	<b>27,264</b>	<b>215,202</b>	<b>242,466</b>
Additions	–	9,158	9,158
Transfer to inventories	(309)	(1,455)	(1,764)
Exchange realignment	(863)	(6,973)	(7,836)
	<u>26,092</u>	<u>215,932</u>	<u>242,024</u>
<b>At 30 September 2016</b>			
<b>Accumulated amortisation:</b>			
Audited			
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
	<u>(128)</u>	<u>(23,864)</u>	<u>(23,992)</u>
At 31 March 2016			
Unaudited			
<b>At 1 April 2016</b>	<b>(128)</b>	<b>(23,864)</b>	<b>(23,992)</b>
Provided for the Period	(255)	(2,625)	(2,880)
Eliminated on transfer	44	210	254
Exchange realignment	7	805	812
	<u>(332)</u>	<u>(25,474)</u>	<u>(25,806)</u>
<b>At 30 September 2016</b>			
<b>Carrying value:</b>			
At 31 March 2016 (Audited)	<u>27,136</u>	<u>191,338</u>	<u>218,474</u>
<b>At 30 September 2016 (Unaudited)</b>	<b><u>25,760</u></b>	<b><u>190,458</u></b>	<b><u>216,218</u></b>

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.

## 11. INVENTORIES

	Unaudited As at 30 September 2016 <i>HK\$'000</i>	Audited As at 31 March 2016 <i>HK\$'000</i>
Inventories		
– Tombs	<u>169,558</u>	<u>168,947</u>

As at 30 September 2016, inventories of approximately HK\$144,390,000 (31 March 2016: HK\$138,167,000) are expected to be recovered in more than one year.

## 12. TRADE RECEIVABLES

	Unaudited As at 30 September 2016 <i>HK\$'000</i>	Audited As at 31 March 2016 <i>HK\$'000</i>
Trade receivables	<u>1,455</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 aged analysis of the trade receivables as at the end of the Period, based on the invoice date and net of provisions, is as follows:

	Unaudited As at 30 September 2016 <i>HK\$'000</i>	Audited As at 31 March 2016 <i>HK\$'000</i>
61 to 90 days	807	1,034
181 to 365 days	<u>648</u>	<u>–</u>
	<u>1,455</u>	<u>1,034</u>

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

	<b>Unaudited As at 30 September 2016 HK\$'000</b>	<b>Audited As at 31 March 2016 HK\$'000</b>
Neither past due nor impaired	<b>1,455</b>	1,034

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

### 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>Unaudited As at 30 September 2016 HK\$'000</b>	<b>Audited As at 31 March 2016 HK\$'000</b>
Prepayments	<b>15,810</b>	56,401
Deposits and other receivables	<b>143,302</b>	105,738
	<b>159,112</b>	162,139
Less: Provision for impairment loss	<b>74,467</b>	74,467
	<b>84,645</b>	87,672
	<b>Unaudited As at 30 September 2016 HK\$'000</b>	<b>Audited As at 31 March 2016 HK\$'000</b>
Prepayments:		
Analysed into:		
Current	<b>15,810</b>	14,397
Non-current	<b>–</b>	42,004
	<b>15,810</b>	56,401

The Group did not hold any collateral in respect of these balances.

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

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

Provision for impairment loss on other receivables has no movement during the Period.

#### 14. TRADE PAYABLES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Trade payables	<b><u>48,146</u></b>	<b><u>60,386</u></b>

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

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Within 90 days	<b>10,865</b>	16,622
91 to 180 days	<b>4,231</b>	2,176
181 to 365 days	<b>31,930</b>	38,025
Over 1 year	<b><u>1,120</u></b>	<b><u>3,563</u></b>
	<b><u>48,146</u></b>	<b><u>60,386</u></b>

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

## 15. DEFERRED INCOME

HK\$'000

Audited		
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		16,836
		<hr/>
Unaudited		
<b>As at 1 April 2016</b>		<b>16,836</b>
Additions during the Period		<b>1,243</b>
Released to profit or loss		<b>(1,370)</b>
Exchange realignment		<b>(531)</b>
		<hr/>
<b>At 30 September 2016</b>		<b>16,178</b>
		<hr/>
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2016</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Analysed into:		
Current	<b>2,986</b>	3,017
Non-current	<b>13,192</b>	13,819
	<hr/>	<hr/>
	<b>16,178</b>	<b>16,836</b>
	<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).

## 16. 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-month period.

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.

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)
	<hr/>
Host debt component on initial recognition upon issuance	<u>32,531</u>

The movements in the host debt component for the Period are as follows:

	<b>Unaudited six months ended 30 September 2016 <i>HK\$'000</i></b>	<b>Audited Year ended 31 March 2016 <i>HK\$'000</i></b>
At 1 April 2016/1 April 2015	<b>34,000</b>	–
Newly issued host debts	–	32,531
Interest expense	<b>5,184</b>	3,694
Interest payable	<b>(2,988)</b>	(2,225)
	<hr/> <b>36,196</b> <hr/>	<hr/> 34,000 <hr/>
At 30 September 2016/31 March 2016		

Interest expenses on the CB are calculated using the effective interest method by applying the effective interest rate of 15.31% semi-annually to the host debt component.

The movements in the derivative component embedded in the CB for the Period are as follows:

	<b>Unaudited six months ended 30 September 2016 HK\$'000</b>	Audited Year ended 31 March 2016 HK\$'000
At 1 April 2016/1 April 2015	<b>9,700</b>	–
Newly issued	–	17,300
Fair value changes recognised in the statement of profit or loss ( <i>note 4</i> )	<b>(5,100)</b>	(7,600)
	<hr/> <b>4,600</b>	<hr/> 9,700
At 30 September 2016/31 March 2016		

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.

## 17. 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 Trading Limited (“Jia Yuan”), which through Hirise Corporation Limited, 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 are not breached the fixed-for-fixed rule in HKAS 32. The fair value of the CN at the date of its 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.

#### **18. 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 condensed consolidated financial statements.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Positioning in the funeral industry, the Group continued its focus on the development of funeral business in mainland China. The Board believes that the cemetery and funeral businesses contain ample growth business opportunities. In addition to the construction of tombs for sale to customers, the Group also actively provided its customers with funeral services and supplies.

During the Period, the Group had strived to strengthen its operational capability for core projects based on an annual work outline under the leadership of the Board. Undaunted by the challenges, the Group always adhered to its mission. Positive progress had been made for various work, leading to further consolidation of its foundation on sustainable development. Zhejiang Anxian Yuan, a core company of the Group, had made remarkable contributions: First, performance contribution; second, brand contribution; third, coverage contribution; full supports for newly acquired project companies (including Yin Chuan Fu Shou Yuan and Zunyi Dashenshan acquired in the previous financial year), all of which solidified the stable and healthy development of the Group.

In the foreseeable future, the Group will shift its work focus from project acquisition to project upgrading by centralising its resources in an effort to enhance the quality of the acquired projects and strive for improvement of their economic and social efficiencies.

### **FINANCIAL REVIEW**

For the Period, the Group recorded net profit of approximately HK\$11,438,000 (2015: approximately HK\$2,535,000) on revenue of approximately HK\$74,424,000 (2015: approximately HK\$51,866,000). During the Period, the Group sold 1,018 burial sites (2015: 551 burial sites). Improvement in the Group's net profit period-on-period was mainly attributable to higher revenue.

The net assets of the Group as at 30 September 2016 was approximately HK\$580,467,000 (31 March 2016: approximately HK\$590,287,000).

### **OTHER INFORMATION**

### **RESULTS AND DIVIDEND**

The results of the Group for the Period are set out under the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income on pages 1 to 3.

The Directors do not recommend the payment of any dividend for the Period (2015: Nil).

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **CORPORATE GOVERNANCE PRACTICES**

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

### **Code provision A.1.1 of the Code**

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

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

## **AUDIT COMMITTEE REVIEW**

The Group's condensed consolidated financial statements and results announcement for the Period were reviewed by the Audit Committee on 28 November 2016.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

## **PUBLICATION OF INTERIM RESULTS**

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.anxianyuanchina.com](http://www.anxianyuanchina.com). The interim report of the Company for the six months ended 30 September 2016 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

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

Hong Kong, 28 November 2016

*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 directors, namely Mr. Wang Hongjie and Mr. Cheng Gang; and three independent non-executive directors, namely Mr. Chan Koon Yung, Mr. Lai Chun Yu and Mr. Li Xigang.*

## GLOSSARY

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

Board	the board of Directors
Code	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules
Company/Anxian Yuan	Anxian Yuan China Holdings Limited, a company incorporated in the Bermuda with limited liability and the issued Shares are listed on the Stock Exchange
Director(s)	the director(s) of the Company
Executive Director(s)	the executive Director(s)
Group	the Company and its subsidiaries
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

Non-executive Director(s)	the non-executive Director(s)
Period	the six months ended 30 September 2016
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
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	the ordinary share(s) of HK\$0.1 each in the share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
Share Option Scheme	the share option scheme adopted by the Company on 18 July 2008
Stock Exchange	The Stock Exchange of Hong Kong Limited
Yin Chuan Fu Shou Yuan	銀川福壽園人文紀念園有限公司 (in English, for identification purpose, Yin Chuan Fu Shou Yuan Humanistic Cultural Memorial Park Co. Ltd.), a limited liability company established under the laws of the PRC
Zhejiang Anxian Yuan	浙江安賢陵園有限責任公司 (in English, for identification purpose, Zhejiang Anxian Yuan Company Limited), a limited liability company established under the laws of the PRC
Zunyi Dashenshan	遵義詩鄉大神山生態陵園有限公司 (in English, for identification purpose, Zunyi Shixiang Dashenshan Cemeteries Co. Ltd.), a limited liability company established under the laws of the PRC
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of PRC
US\$	United States dollars, the lawful currency of USA
%	per cent