
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Anxian Yuan China Holdings Limited (the “Company”), you should at once hand this prospectus and the accompanying form of proxy to the purchaser, the transferee or to the bank manager, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies” in Appendix III to this prospectus has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of these documents.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of the Prospectus Documents, 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 the Prospectus Documents.

Dealings in the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The securities described herein have not been registered under the US Securities Act or the laws of any state in the United States and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the US Securities Act and applicable US state laws. There is no intention to register any portion of the Rights Issue or any securities described herein in the United States or to conduct a public offering of securities in the United States. Neither this prospectus nor any copy hereof may be circulated, distributed, forwarded, delivered or redistributed, electronically or otherwise, directly or indirectly, to persons within the United States, and may not be relied upon as a basis for any investment decision or for any other purpose by any person within the United States. Any failure to comply with this restriction may constitute a violation of US securities laws. This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in the United States or any other jurisdiction in which such an offer or solicitation is unlawful. Except as otherwise set out in this prospectus, the Rights Issue is not being extended to Shareholders with registered addresses in, or investors who are located or resident in, any jurisdictions outside Hong Kong and Macau. This prospectus has not been lodged or registered with any of the relevant authorities in any jurisdiction other than Hong Kong.



ANXIAN YUAN CHINA HOLDINGS LIMITED

安賢園中國控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00922)

RIGHTS ISSUE

ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

Financial adviser to the Company



Capitalised terms used in this cover page shall have the same meanings as those defined in this prospectus.

Shareholders and potential investors should note that the Rights Issue is conditional upon the fulfillment of the conditions referred to in the section headed “Conditions of the Rights Issue” in this prospectus. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly. There is no minimum amount which must be raised in order for the Rights Issue to proceed. Pursuant to the Company’s constitutional document, the Companies Act 1981 of Bermuda, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue.

Shareholders should note that the Shares have been dealt in on an ex-rights basis from Tuesday, 16 June 2020. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 10 July 2020 to Friday, 17 July 2020. Any persons contemplating dealings in the Shares prior to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Friday, 10 July 2020 to Friday, 17 July 2020 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Share or nil-paid Rights Shares are recommended to consult their own professional advisers.

The latest date and time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Wednesday, 22 July 2020. The procedures for acceptance and payment and/or transfer of the Rights Shares are set out on pages 16 to 17 of this prospectus.

8 July 2020

* for identification purpose only

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below. The expected timetable is indicative only and may be subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

All time and date references contained in this prospectus shall refer to Hong Kong local time and dates.

| Events | Time and Date |
|---------------|----------------------|
|---------------|----------------------|

| | |
|---|-----------------------------------|
| First day of dealings in nil-paid Rights Shares | 9:00 a.m. on Friday, 10 July 2020 |
|---|-----------------------------------|

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|--|------------------------------------|
| Latest time for splitting nil-paid Rights Shares | 4:30 p.m. on Tuesday, 14 July 2020 |
|--|------------------------------------|

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|--|-----------------------------------|
| Last day of dealings in nil-paid Rights Shares | 4:00 p.m. on Friday, 17 July 2020 |
|--|-----------------------------------|

**Latest time for acceptance of, and payment for,
the Rights Shares and application for
excess Rights Shares 4:00 p.m. on Wednesday, 22 July 2020**

| | |
|---|-------------------------|
| Announcement of results of the Rights Issue | Wednesday, 29 July 2020 |
|---|-------------------------|

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|--|------------------------|
| Despatch of refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares | Thursday, 30 July 2020 |
|--|------------------------|

| | |
|---|------------------------|
| Despatch of share certificates for fully paid Rights Shares | Thursday, 30 July 2020 |
|---|------------------------|

| | |
|--|--------------------------------------|
| Commencement of dealings in fully-paid Rights Shares | 9:00 a.m. on Friday, 31 July 2020 |
|--|--------------------------------------|

| | |
|---|----------------------|
| Designated broker starts to stand in the market to provide matching service for odd lots of Shares | Friday, 31 July 2020 |
|---|----------------------|

| | |
|---|------------------------|
| Designated broker ceases to stand in the market to provide matching service for odd lots of Shares | Friday, 21 August 2020 |
|---|------------------------|

Effect of bad weather and/or extreme conditions on Latest Time for Acceptance

The Latest Time for Acceptance will not take effect if there is a tropical cyclone warning signal no. 8 or above, “extreme conditions” caused by super typhoons, or a “black” rainstorm warning:

- (1) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 22 July 2020. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or

EXPECTED TIMETABLE

- (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 22 July 2020. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take effect on Wednesday, 22 July 2020, the dates of the events subsequent to the Latest Time for Acceptance mentioned in the expected timetable may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as possible.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

| | |
|--------------------------------|---|
| “Announcement” | the announcement dated 25 March 2020 issued by the Company in relation to, among other things, the Rights Issue |
| “Anxian Yuan Zhejiang” | 安賢園(浙江)投資管理有限公司 (Anxian Yuan (Zhejiang) Investment Management Company Limited*), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company |
| “Board” | the board of Directors |
| “Business Day(s)” | a day (other than public holiday, a Saturday or Sunday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which banks in Hong Kong are generally open for business |
| “Bye-laws” | the bye-laws of the Company, as amended from time to time |
| “Capital Injection” | the capital injection of RMB24 million and RMB6 million in the Target Company by Anxian Yuan Zhejiang and the Partners, respectively pursuant to the MOU |
| “CCASS” | the Central Clearing and Settlement System operated by HKSCC |
| “CCASS Operational Procedures” | the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force |
| “Circular” | the circular dated 29 April 2020 issued by the Company in relation to, among other things, the Rights Issue |

DEFINITIONS

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| “Company” | Anxian Yuan China Holdings Limited (安賢園中國控股有限公司*), a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange (stock code: 00922) |
| “Concert Group” | Mr. H Shi, Mr. J Shi and parties acting in concert (as defined in the Takeovers Code) with any of them |
| “controlling shareholder(s)” | has the same meaning ascribed thereto under the Listing Rules |
| “Deeds of Covenants and Undertakings” | the HS Deed of Covenants and Undertakings and the JS Deed of Covenants and Undertakings |
| “Director(s)” | the director(s) of the Company |
| “EAF(s)” | the form(s) of application for excess Rights Shares |
| “Excluded Shareholder(s)” or “Non-Qualifying Shareholder(s)” | the Overseas Shareholder(s) whom the Board, after making enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, considers it necessary or expedient not to offer the Rights Shares to them |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “First Phase Investment” | investment in the first phase of the commercial cemetery with an aggregate amount of RMB90 million, including the Capital Injection |
| “Group” | the Company and its subsidiaries, from time to time |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “HK\$” | Hong Kong Dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “HS Deed of Covenants and Undertakings” | the deed of covenants and undertakings dated 19 March 2020 executed between Mr. H Shi and the Company in relation to the proposed Rights Issue |

DEFINITIONS

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| “Independent Shareholders” | Shareholder(s), other than (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associate, and (ii) members of the Concert Group and (iii) Shareholders who are involved in, or interested in, the Rights issue |
| “JS Deed of Covenants and Undertakings” | the deed of covenants and undertakings dated 19 March 2020 (as supplemented on 23 March 2020) executed between Mr. J Shi and the Company in relation to the proposed Rights Issue |
| “Last Trading Day” | Thursday, 19 March 2020 |
| “Latest Practicable Date” | 3 July 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein |
| “Latest Time for Acceptance” | 4:00 p.m. on Wednesday, 22 July 2020 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Macau” | Macau Special Administrative Region of the PRC |
| “Mr. H Shi” | Mr. Shi Hua, an executive Director, the chairman of the Company and a substantial Shareholder holding 202,178,000 Shares, representing approximately 22.75% of the issued share capital of the Company as at the Latest Practicable Date |
| “Mr. J Shi” | Mr. Shi Jun, an executive Director, the chief executive officer of the Company, son of Mr. H Shi and a Shareholder holding 12,200,000 Shares, representing approximately 1.37% of the issued share capital of the Company as at the Latest Practicable Date |
| “MOU” | the memorandum of understanding dated 14 March 2020 entered into amongst Anxian Yuan Zhejiang and the Partners |

DEFINITIONS

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| “Overseas Shareholder(s)” | the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong |
| “PAL(s)” | the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue |
| “Partners” | the two existing owners of the Target Company |
| “Posting Date” | Wednesday, 8 July 2020 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders, and this prospectus to the Excluded Shareholders (as the case may be) |
| “PRC” | the People’s Republic of China which for the purpose of this prospectus shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Prospectus Documents” | this prospectus, the PAL and the EAF |
| “Qualifying Shareholder(s)” | the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders |
| “Relevant Period” | the period commencing six months proceeding 19 March 2020 (being the date of the Deed of Covenants and Undertakings) and ending on and including the Latest Practicable Date |
| “Record Date” | Wednesday, 24 June 2020, being the record date to determine the provisional entitlements to the Rights Issue |
| “Rights Issue” | the proposed issue by way of rights on the basis of three (3) Rights Shares for every two (2) Shares in issue |
| “Rights Share(s)” | up to 1,332,817,890 new Shares proposed to be allotted and issued under the Rights Issue |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFC” | the Securities and Futures Commission |

DEFINITIONS

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| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SGM” | the special general meeting of the Company held on 28 May 2020 at which, among other things, the Rights Issue has been approved |
| “Share(s)” or “Existing Share(s)” | ordinary share(s) of HK\$0.1 each in the share capital of the Company |
| “Share Registrar” or “Registrar” | Tricor Abacus Limited at Level 54, Hopewell Centre 183 Queen’s Road East, Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong |
| “Shareholder(s)” | the holder(s) of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | the subscription price of HK\$0.1 per Rights Share under the Rights Issue |
| “Target Company” | 阜陽市天壽園陵園管理有限公司 (Fuyang Tianshouyuan Cemetery Management Co., Ltd.*), a limited liability company established under the laws of the PRC with a registered capital of RMB10 million, which is wholly-owned by the Partners |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “US Securities Act” | the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder |
| “United States” | the United States of America, its territories and possessions, any State of the United States, and the District of Columbia |

DEFINITIONS

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| “Whitewash Waiver” | the waiver granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Mr. H Shi to make a mandatory general offer to the Shareholders in respect of all issued Shares not already owned or agreed to be acquired by the Concert Group which may be triggered as a result of (i) the acceptance in full by Mr. H Shi of the provisional allotment of Rights Shares to him pursuant to the HS Deed of Covenants and Undertakings; and/or (ii) Mr. H Shi having applied for and successfully allotted any excess Rights Shares |
| “Zhejiang Anxian Yuan” | 浙江安賢陵園有限責任公司 (Zhejiang Anxian Yuan Company Limited*), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company |
| “%” | per cent |

* For identification purposes only

LETTER FROM THE BOARD



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

(incorporated in Bermuda with limited liability)

(Stock Code: 00922)

Executive Directors:

Mr. Shi Hua (*Chairman*)
Mr. Shi Jun (*Chief Executive Officer*)
Mr. Law Fei Shing (*Deputy Chief Executive Officer*)

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Wang Hongjie

*Head office and principal place
of business in Hong Kong:*

Room 1215, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Independent non-executive Directors:

Mr. Chan Koon Yung
Mr. Lum Pak Sum
Mr. Yao Hong

8 July 2020

To the Qualifying Shareholders and, for information only, the Excluded Shareholders

Dear Sir or Madam,

RIGHTS ISSUE
ON THE BASIS OF THREE (3) RIGHTS SHARES FOR
EVERY TWO (2) SHARES HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

Reference is made to the Announcement and the Circular in relation to, among other things, the Rights Issue. On 25 March 2020, the Board announced the Company proposed to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date at the Subscription Price of HK\$0.1 per Rights Share, to raise up to approximately HK\$133.3 million before expenses by way of issuing up to 1,332,817,890 Rights Shares.

LETTER FROM THE BOARD

The Rights Issue is conditional on, among others, approval by the Independent Shareholders. As at the date of the SGM and the Latest Practicable Date, the Company did not have any controlling shareholders. All the executive Directors and the non-executive Director and their respective associates abstained from voting in favour of the proposed resolution approving the Rights Issue at the SGM. The Rights Issue has been duly approved by the Independent Shareholders at the SGM.

The purpose of this prospectus is to provide you with, among other things, further details of the Rights Issue, including the procedures for acceptance of the Rights Shares provisionally allotted to you, together with the financial and other general information of the Group.

RIGHTS ISSUE

Issue statistic

| | | |
|---|---|--|
| Basis of the Rights Issue | : | Three (3) Rights Shares for every two (2) Shares held on the Record Date |
| Subscription Price | : | HK\$0.1 per Rights Share |
| Underwriter | : | Nil |
| Number of Shares in issue as at the Record Date and the Latest Practicable Date | : | 888,545,260 Shares |
| Total number of Rights Shares | : | Up to 1,332,817,890 Rights Shares |
| Number of Rights Shares being undertaken by Mr. H Shi and Mr. J Shi | : | 303,267,000 Rights Shares are undertaken by Mr. H Shi and 18,300,000 Rights Shares are undertaken by Mr. J Shi |
| Gross proceeds to be raised from the Rights Issue | : | From approximately HK\$32.2 million to approximately HK\$133.3 million |
| Right of excess applications | : | Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment |

The maximum number of 1,332,817,890 Rights Shares to be issued represents:

- (a) 150% of the number of issued Shares (based on the Company's issued share capital as at the Record Date); and

LETTER FROM THE BOARD

- (b) 60% of enlarged issued share capital of the Company immediately following completion of the Rights Issue.

As at the Record Date and the Latest Practicable Date, the Company did not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into shares.

Save as disclosed in the section headed “The Deeds of Covenants and Undertakings” below, the Board has not received any information or irrevocable undertakings from any substantial shareholder of their intention to take up the securities of the Company to be offered to them under the Rights Issue as at the Latest Practicable Date.

Subscription Price

The Subscription Price is HK\$0.1 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 32.89% to the equivalent closing price of HK\$0.149 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 18.09% to the theoretical ex-rights price of approximately HK\$0.122 per Share based on the benchmarked price, being the average closing price of HK\$0.155 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 35.57% to the average closing price of HK\$0.155 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 4.76% based on the closing price of HK\$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (e) a discount of approximately 86.23% to the net asset value of approximately HK\$0.726 per Share based on the audited net asset value attributable to owners of the Company of approximately HK\$645.3 million as at 31 March 2020 and 888,545,260 Shares; and

LETTER FROM THE BOARD

- (f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.34% of the theoretical diluted price of HK\$0.122 per Share to the benchmarked price of HK\$0.155 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.149 per Share and the average closing price of HK\$0.155 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day).

The Subscription Price was determined with reference to the average closing price of HK\$0.155 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the date of the Deeds of Covenants and Undertakings, and having considered (i) the financial conditions of the Company; (ii) that the outbreak of Coronavirus Disease 2019 (“**COVID-19**”) has intensified the economic uncertainties and market instability in Hong Kong and the PRC and contributing to the decline in investment sentiment; (iii) the reasons and benefits of Rights Issue as discussed in the paragraph headed “Reasons for the Rights Issue and use of proceeds” under the section headed “Proposed Rights Issue” in this prospectus; and (iv) that the other recent rights issues conducted in the market were also with subscription prices at a discount to the then prevailing prices of shares of the respective companies. In light of the above, the Board considered it appropriate to set the Subscription Price at a discount to the recent closing prices of the Shares prior to the Last Trading Day in order to lower the investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their respective pro-rata shareholding interest in the Company, thereby minimising the dilution impact on their shareholding interest.

Notwithstanding that the Subscription Price represents a discount to the audited net asset value per Share as at 31 March 2020, in determining the terms of the Rights Issue, the Company strives to set a reasonable subscription price that reflects a balance between the inherent value and the market price of the Shares and conduct the Rights Issue on terms which are favourable to the Company and its Shareholders. Given that (i) the Shares have always been trading at a deep discount to the net asset value per Share throughout the past 12 months prior to the Last Trading Day; (ii) each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its shareholding interest held on the Record Date; (iii) the Subscription Price has been set at a discount to the recent closing prices of the Share as quoted on the Stock Exchange with an objective to lower the investment costs of the existing Shareholders to encourage them to take up their entitlements under the Rights Issue and to participate in the potential growth of the Company; and (iv) the proceeds from the Rights Issue can finance the potential investment of the Group and help improve the financial position of the Group, the Board considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every two (2) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted with the Share Registrar by 4:00 p.m. on Wednesday, 22 July 2020.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and sold by the Company in the open market if a premium (net of expenses) can be obtained, and the Company will keep the net proceeds for its own benefit. Any unsold fractions of the Rights Shares will be aggregated and made available for excess application by the Qualifying Shareholders.

Odd lot arrangement

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue, a designated broker will be appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from Friday, 31 July 2020 to Friday, 21 August 2020 (both days inclusive). Shareholders who wish to take advantage of this service should contact Mr. Li Wing Chung of Lego Securities Limited at Room 301, 3/F, China Building, 29 Queen's Road Central, Hong Kong or at telephone number (852) 3188 8055 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period. Holders of odd lots of the Shares should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his own professional advisers.

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on record date which is after the date of issue of the Rights Shares.

LETTER FROM THE BOARD

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders, and to the extent reasonably practicable, the Company will send copies of this prospectus to the Excluded Shareholders for their information only. Please take special note that the Company will send the PAL and EAF to the Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) be a Qualifying Shareholder.

Closure of register of members

The register of members of the Company has been closed from Thursday, 18 June 2020 to Wednesday, 24 June 2020 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares was being registered during this period.

Rights of the Overseas Shareholders

As at the Record Date, based on the register of members of the Company, the Overseas Shareholders are as follows:

| Number of Overseas Shareholders | Jurisdiction of the registered address of the Overseas Shareholders | Number of Shares held |
|--|--|------------------------------|
| 11 | PRC | 84,050,020 |
| 2 | Macau | 160 |

Each of the Overseas Shareholders represents less than 5% of the total issued Shares as at the Record Date.

The Prospectus Documents were not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company has complied with Rule 13.36(2)(a) of the Listing Rules and has made enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders.

LETTER FROM THE BOARD

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses (as shown in the register of members of the Company) in the jurisdiction set out in the above in compliance with Rule 13.36(2)(a) of the Listing Rules and taking into account the legal advice provided by the legal adviser as to PRC law engaged by the Company, the Directors are of the view that it is expedient not to extend the Rights Issue to Overseas Shareholders with registered addresses in PRC given the expenses and effort which may be incurred or involved in compliance with the relevant regulatory requirements in the PRC, and hence, the Overseas Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) in the PRC shall be Excluded Shareholders. On the other hand, based on the advice provided by the legal advisers as to the laws of the Macau, as at the Latest Practicable Date, the laws of the Macau impose no restrictions on extending the Rights Issue to such Overseas Shareholders with registered addresses in Macau, and the Company is not required to obtain any approvals for the despatch of the Prospectus Documents to such Overseas Shareholders with registered addresses in Macau. Accordingly, Overseas Shareholders with registered addresses (as shown in the register of members of the Company as at the Record Date) in Macau were not considered as Excluded Shareholders.

The Company has sent copies of this prospectus to the Excluded Shareholders for their information only, but did not send the PAL or EAF to them.

Arrangements for Rights Shares which would otherwise have been available to the Excluded Shareholders

Arrangements have been made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form if a premium (net of expenses) can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be distributed by the Company to the Excluded Shareholders in Hong Kong dollars, at their own risk, pro rata to their respective entitlements provided that if any of such persons would be entitled to a sum not exceeding HK\$100, such sum will be retained by the Company for its own benefit. Any such unsold nil-paid Rights Shares to which such Excluded Shareholders would otherwise have been entitled will be available for excess application by the Qualifying Shareholders under the EAF(s).

LETTER FROM THE BOARD

Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares

Qualifying Shareholders will find enclosed with this prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Wednesday, 22 July 2020. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "Anxian Yuan China Holdings Limited – Provisional Allotment Account" ("**Provisional Allotment Account**") and crossed "**Account Payee Only**".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Share Registrar by no later than 4:00 p.m. on Wednesday, 22 July 2020, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer part/all of their rights to more than one person, the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Tuesday, 14 July 2020 to the Share Registrar, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

LETTER FROM THE BOARD

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No receipt will be given in respect of any application monies received.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below is not fulfilled by the Latest Time for Acceptance, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Share Registrar on or before Thursday, 30 July 2020.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for, by way of excess application: (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any); (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares; and (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares. (i) to (iii) are collectively referred to as "Untaken Rights".

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the full amount payable for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) subject to availability, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the number of Shares held by the Qualifying Shareholders on the Record Date;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs; and

LETTER FROM THE BOARD

- (iii) no preference will be given to applications for topping up odd-lot holdings to whole-lot holdings.

Pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company shall take steps to identify the applications for excess Rights Shares made by any controlling shareholders or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares. Notwithstanding the Company does not have any controlling shareholders, for the purpose of the Rights Issue, the Company will consider the excess application(s) of the Concert Group in accordance with Rule 7.21(3)(b).

Shareholders with their Shares held by a nominee (or which are held in CCASS) should note that the Board will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name(s) of the beneficial owner(s) prior to the record date.

If the aggregate number of Rights Shares underlying the Untaken Rights is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Mr. H Shi confirmed that he intends to apply for excess Rights Shares if there is an undersubscription of the Rights Issue. Pursuant to Rule 7.21(3)(b), assuming (i) there is no change in the number of issued Shares on or before the Record Date; and (ii) Mr. H Shi and Mr. J Shi had taken up in full the Rights Shares allotted to them under their respective assured entitlement to the Rights Shares, the maximum number of excess Rights Shares that Mr. H Shi may apply for would be 1,011,250,890 Rights Shares.

In the event that the Directors note unusual patterns of excess Rights Shares applications, the Directors will review those applications and if the Directors have reason to believe that any application may have been made with the intention to abuse the above mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Directors.

LETTER FROM THE BOARD

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on application in respect of the excess Rights Shares being applied for with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Wednesday, 22 July 2020. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "Anxian Yuan China Holdings Limited – Excess Application Account" ("**Excess Application Account**") and crossed "**Account Payee Only**".

If no excess Rights Shares are allotted to a Qualifying Shareholder who has applied for excess Rights Shares, the remittance tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full without interest by ordinary post at his/her/its own risk by the Share Registrar on or before Thursday, 30 July 2020. If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, the surplus application monies is also expected to be returned by refund cheque to that Qualifying Shareholder without interest by ordinary post to his/her/its registered address at his own risk by the Share Registrar on or before Thursday, 30 July 2020.

All cheques or cashier's orders accompanying completed EAFs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or a cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier's order is dishonoured on first presentation.

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The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be sent by ordinary post at the risk of the person(s) entitled thereto to their registered addresses as at the Record Date by the Share Registrar on the respective despatch dates. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving a copy of the EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for the excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty and representation from such Qualifying Shareholder(s) to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any application thereunder, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below is not fulfilled by the Latest Time for Acceptance, the remittance received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Share Registrar on or before Thursday, 30 July 2020.

The Deeds of Covenants and Undertakings

HS Deed of Covenants and Undertakings

On 19 March 2020 (after trading hours of the Stock Exchange), the Company entered into the HS Deed of Covenants and Undertakings with Mr. H Shi, whereupon Mr. H Shi had irrevocably undertaken to the Company:

- (i) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 202,178,000 Shares ultimately beneficially held by him as at the date of the HS Deed of Covenants and Undertakings or (ii) the nil-paid rights pertaining to the 303,267,000 Rights Shares provisionally allotted to him;

LETTER FROM THE BOARD

- (ii) the 202,178,000 Shares registered in his name and/or under the name(s) of his nominee(s) as at the date of the HS Deed of Covenants and Undertakings shall remain registered in his name and/or under the name(s) of his nominee(s) on the Record Date and until the close of the Rights Issue;
- (iii) to apply for the Whitewash Waiver;
- (iv) subject to having obtained the Whitewash Waiver, to accept in full the Rights Shares to be provisionally allotted to him pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares, which shall amount to HK\$30,326,700; and
- (v) not to carry out any act (including any acquisition of voting rights by him or any parties acting in concert (as defined in the Takeovers Code) with him) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted.

JS Deed of Covenants and Undertakings

On 19 March 2020 (after trading hours of the Stock Exchange) (as supplemented on 23 March 2020), the Company entered into the JS Deed of Covenants and Undertakings with Mr. J Shi, whereupon Mr. J Shi had irrevocably undertaken to the Company:

- (i) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 12,200,000 Shares ultimately beneficially held by him as at the date of the JS Deed of Covenants and Undertakings or (ii) the nil-paid rights pertaining to the 18,300,000 Rights Shares provisionally allotted to him;
- (ii) the 12,200,000 Shares registered in his name and/or under the name(s) of his nominee(s) as at the date of the JS Deed of Covenants and Undertakings shall remain registered in his name and/or under the name(s) of his nominee(s) on the Record Date and until the close of the Rights Issue;
- (iii) subject to having obtained the Whitewash Waiver, to accept in full the Rights Shares to be provisionally allotted to him pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares, which shall amount to HK\$1,830,000; and
- (iv) not to carry out any act (including any acquisition of voting rights by him or any parties acting in concert (as defined in the Takeovers Code) with him) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted.

LETTER FROM THE BOARD

Pursuant to the Deeds of Covenants and Undertakings, the Company has also undertaken to Mr. H Shi and Mr. J Shi that:

- (i) the Rights Issue shall be conditional upon the conditions set out in the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this prospectus; and
- (ii) the Company will not proceed with the Rights Issue in the event the Whitewash Waiver is not being obtained by Mr. H Shi.

Pursuant to the Deed of Covenants and Undertakings, 303,267,000 Rights Shares are undertaken by Mr. H Shi and 18,300,000 Rights Shares are undertaken by Mr. J Shi. Assuming no other Shareholder accepts the provisional allotment of Rights Shares, upon completion of the Rights Issue, the maximum potential controlling holding of the Company’s voting rights will be held by the Concert Group as to approximately 69.65% and by Mr. H Shi as to 68.28%. As such holding exceeds 50% of the Company’s voting rights at the completion of the Rights Issue, Mr. H Shi may thereafter further increase his holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or about Thursday, 30 July 2020 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or about Thursday, 30 July 2020 by ordinary post to the applicants, at their own risk, to their registered addresses.

Application for listing

The Company has applied to the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising their rights in, disposing of or dealing in the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Share in both their nil-paid and fully-paid forms. Both nil paid Rights Shares and fully-paid Rights Shares will be traded in board lot of 10,000 shares.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

The legal adviser of the Company has confirmed that there are no applicable statutory requirements under the Companies Act 1981 of Bermuda regarding minimum subscription levels in respect of the Rights Issue.

Mr. H Shi's obligation to make a general offer under the Takeovers Code will be triggered as a result of the acceptance in full by him of the provisional allotment of Rights Shares to him pursuant to the HS Deed of Covenants and Undertakings and/or the allotment of excess Rights Shares to Mr. H Shi upon successful excess application when there is an undersubscription of the Rights Issue. As disclosed in the paragraph headed "Conditions of the Rights Issue" under the section headed "Proposed Rights Issue" in this prospectus, it is a condition of the Rights Issue to have the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to Mr. H Shi prior to the Posting Date.

Apart from Mr. H Shi, any other Shareholder who applies to take up all or part of his entitlement under the PAL or apply for excess Rights Shares under the EAF may also unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive has been obtained.

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Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders (except Mr. H Shi, who has been granted the Whitewash Waiver by the Executive to waive the obligation to make a general offer under the Takeovers Code) to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder (other than Mr. H Shi) for his entitlement under the PAL or for excess Rights Shares under the EAF will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code.

Conditions of the Rights Issue

The Rights Issue will be conditional upon:

- (a) the passing of the necessary resolutions by the Independent Shareholders at the SGM approving, among other things, (i) the Rights Issue, including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms); and (ii) the Whitewash Waiver on or before the Posting Date;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of this prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;
- (d) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Shares as well as the Rights Shares in nil-paid and fully-paid forms by no later than Friday, 10 July 2020 (or such other date as may be determined by the Company) and Friday, 31 July 2020 (or such other date as may be determined by the Company) respectively, being the first day of their dealings;
- (e) there being no breach of the obligations of Mr. H Shi and Mr. J Shi under the Deeds of Covenants and Undertakings prior to the Latest Time for Acceptance; and
- (f) the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to Mr. H Shi prior to the Posting Date, and the satisfaction of all conditions (if any) attached thereto.

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The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

As at the Latest Practicable Date, conditions (a) and (f) above have been satisfied.

Reasons for the Rights Issue and use of proceeds

Use of proceeds

The net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.3 million) will not be less than approximately HK\$30.9 million and not more than approximately HK\$132.0 million.

Assuming the net proceeds is approximately HK\$132.0 million, the Group intends to apply (i) approximately 62.0% or HK\$81.8 million of the net proceeds from the Rights Issue to the First Phase Investment as stated in the MOU below in order to increase the cemetery reserve of the Group and improve local customer sourcing network; (ii) approximately 22.0% or HK\$29.0 million of the net proceeds from the Rights Issue for repayment of existing debts and payables with an intention to improve the Group's financial position, gearing and liquidity; and (iii) approximately 16.0% or HK\$21.2 million of the net proceeds from the Rights Issue for general working capital.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly. If the net proceeds of the Rights Issue is subsequently reduced to its minimum of approximately HK\$32.2 million, the Group intends to apply all of the net proceeds from the Rights Issue to the First Phase Investment, which will also be funded by internal resources and, if necessary, bank borrowings.

Memorandum of understanding in relation to possible investment and reasons for and benefits of the investment

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of cemeteries in the PRC. The Company intends to continue to focus on its cemetery business which the Directors believe will grow steadily in view of the aging PRC population, the continuous economic growth of the PRC and the enhanced spending power of PRC residents, which is in line with the strategy stated in the annual report of the Company for the year ended 31 March 2019 that the Group will adhere to its initial intention to capture the growth opportunities in the funeral industry from the urbanisation and aging population in the PRC.

LETTER FROM THE BOARD

On 14 March 2020, Anxian Yuan Zhejiang and the Partners entered into a non-legally binding memorandum of understanding in relation to possible investment by Anxian Yuan Zhejiang in 阜陽市天壽園陵園管理有限公司 (Fuyang Tianshouyuan Cemetery Management Co., Ltd.*) by way of capital injection and its development of a commercial cemetery (經營性公墓), subject to the entering into of the formal agreement. The Partners worked in 蘇州皇冠山公墓 (Suzhou Crown Hill Cemetery*) as the director assistant and sales manager, with four and 13 years of experience in the cemetery business, respectively.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the Partners are not Shareholders and are independent of the Company and its connected persons.

The Target Company is a limited liability company established under the laws of the PRC on 8 August 2019 with a registered capital of RMB10 million and wholly-owned by the Partners. It is principally engaged in cemetery management services, funeral, etiquette service, worship service, tombstone, funeral supplies sales, and landscaping business. The Target Company has obtained relevant government approval to develop a commercial cemetery by phases with a total investment of approximately RMB450 million to expand its cemetery construction and management business. The commercial cemetery will be located at Oudong District, Fuyang City, Anhui Province with a construction land area of approximately 169,413.42 square metres and a construction floor area of approximately 7,800 square metres including an integrated service complex of approximately 4,000 square metres, a funeral hall of approximately 3,000 square metres and a car park of approximately 800 square metres. The commercial cemetery will accommodate 30,000 traditional burial plots and ecological burial plots and features rockery, gazebo, carved columns, life release pond (放生池), etc.

Pursuant to the MOU, Anxian Yuan Zhejiang and the Partners have agreed to invest in the first phase of the commercial cemetery with an aggregate amount of RMB90 million (including the existing registered capital of the Target Company of RMB10 million which has not yet been paid up as at the Latest Practicable Date), of which Anxian Yuan Zhejiang and the Partners shall invest RMB24 million and RMB6 million in the Target Company, respectively. Upon completion of the Capital Injection and the First Phase Investment, the registered capital of the Target Company shall be increased from RMB10 million to RMB30 million while the respective shareholding of the Company and the Partners will be 80% and 20%, among which, the Partners will own 19.8% and 0.2% of the Target Company, respectively.

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In addition, each of the shareholders of the Target Company is required to invest in the Target Company, based on their pro-rata shareholding interest in the Target Company after the Capital Injection, i.e. RMB60 million being the difference between the total first phase investment of RMB90 million and the total paid up capital after the Capital Injection of RMB30 million, for the development of the Target Company. Upon completion of the first phase of the commercial cemetery, it is expected that the commercial cemetery will record operating cash inflow which will then be utilised to develop the commercial cemetery continuously.

The Company and the Partners shall use their respective best endeavours to negotiate the terms of the investment agreement and enter into a legally binding formal agreement (the “**Formal Agreement**”) for the investments in the Target Company and/or the commercial cemetery.

According to the MOU, the Company and the Partners should enter into the Formal Agreement within six months from the date of the MOU, being 14 March 2020. The six months period will expire on 13 September 2020. As at the Latest Practicable Date, the Company is conducting due diligence on the Target Company, and has obtained and reviewed certain information, including but not limited to (i) certain approval in relation to the cemetery by the relevant local government bodies; (ii) the financial information of the Target Company; and (iii) the business and development plan of the cemetery.

As at the Latest Practicable Date, the due diligence process is still on-going, while some due diligence work, such as physical site inspection was scheduled at a later stage in view of the outbreak of COVID-19 where the PRC government requested the slowdown of non-essential travel across the country. In view of the latest due diligence result and the recent negotiation between the Company and the Partners, the Directors are optimistic on entering into of the Formal Agreement once the remaining due diligence can be completed, including the physical site inspection and in any event within six months from the date of the MOU.

The Board wishes to emphasise that the MOU is non-legally binding and the Formal Agreement may or may not be signed. The investment in the Target Company and/or the commercial cemetery may or may not proceed and Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Need of funding

As at 31 March 2020, the Group had cash and cash equivalents of approximately HK\$77.7 million. Given the Group does not currently have the necessary financial resources for the First Phase Investment, the Company would need to raise new funds to finance the investment and to achieve its business objectives and to capture the potential increase in demand in the Group’s services and products.

LETTER FROM THE BOARD

According to the recent discussion between the Group and the Partners, the Partners indicated that they would like to ensure that the Group has sufficient financial resource for the First Phase Investment before entering into the Formal Agreement with the Company. In addition, if the Company only begins to seek funding after entering into the Formal Agreement, the time it requires for the Company to do so (including the time to complete necessary regulatory procedures/approvals, if applicable) may cause significant delay in the First Phase Investment. The Company would also be at risk of breaching the Formal Agreement if it fails to obtain sufficient funding after entering into the Formal Agreement. In view of the above, the Directors consider that it is more prudent to raise funds in advance for preparation of the potential investment, in order to avoid shortage in funding and hence breaching its obligation in the Formal Agreement.

In the unfortunate event that the investment under the MOU does not materialise, the Company intends to utilise the net proceeds from the Rights Issue originally allocated for the First Phase Investment for other similar investment opportunity(ies). It is the Group's business strategy to expand its network and establish foothold in cities with promising market prospects and rich resources in funeral project and service. Accordingly, the Company has been seeking investment opportunities throughout the PRC from time to time. In determining the potential opportunities in strategic investment for the purpose of increasing the cemetery reserve of the Group and improving local customer sourcing network, the Company will take into consideration factors including (i) alignment with the Group's strategic plans; (ii) size of cemetery reserve; (iii) potential of local customer sourcing network; (iv) market position; (v) experience of management team; and (vi) historical operating metrics and financial performance. Notwithstanding that the investment under the MOU may not materialise, the Directors consider there exists an imminent need for the Company to timely raise funds to pursue the aforesaid opportunities for the continuous growth of the Group's business. As at the Latest Practicable Date, the Company has involved in early discussion in relation to two potential opportunities in strategic investment. The Directors consider that the Company will be in a better position to negotiate with potential counterparties with a stronger liquidity position to capture any opportunities in a timely manner after the Rights Issue. In such unfortunate event that the investment under the MOU does not materialise, the Group intends to apply (i) approximately 62.0% or HK\$81.8 million of the net proceeds from the Rights Issue to the aforementioned potential opportunity(ies) in strategic investment; (ii) approximately 22.0% or HK\$29.0 million of the net proceeds from the Rights Issue for repayment of existing debts and payables; and (iii) approximately 16.0% or HK\$21.2 million of the net proceeds from the Rights Issue for general working capital. Further announcement(s) will be made by the Company to update the Shareholders with details of these investments as and when appropriate pursuant to the requirements of the Listing Rules.

In light of the above, the Directors are of the view that the Rights Issue provides financial flexibility for the Company to fund the First Phase Investment or capture any potential investment opportunities, which is in line with the Group's business objective, and thus, in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Fund raising alternatives

The Directors have considered other financing alternatives including (i) additional debt financing; and (ii) equity fund raising such as placement of the Shares and open offer. The Directors are of the view that while additional debt financing will increase the Group's gearing ratio, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company. As for equity fund raising, such as placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate in, but it does not allow the trading of rights entitlements in the open market. The Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its net asset position without the ongoing burden of interest expenses, and also offer all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full. Taking into account the costs and benefits of each of the alternatives as compared with the Rights Issue, the Directors consider raising funds by way of the Rights Issue is more attractive and feasible in the current market condition, and thus, in the interests of the Company and the Shareholders as a whole.

Previous fund raising exercise involving issue of securities in the prior 12-month period

Save as set out below, the Company has not completed any equity fund raising activities in the twelve months immediately prior to the Latest Practicable Date.

| Date of announcement | Fund raising activity | Net proceeds | Intended use of proceeds | Actual use of proceeds |
|----------------------|---|--------------------------------|--|---|
| 17 December 2019 | Placing of new Shares under general mandate | Approximately HK\$21.8 million | (a) as to approximately 61%, representing approximately HK\$13.4 million, for repayment of existing debts and payables with an intention to improve the Group's financial position, gearing and liquidity; and (b) as to approximately 39%, representing approximately HK\$8.4 million, for general working capital of the Group. | (a) approximately HK\$13.4 million for repayment of existing debts of the Group; and (b) approximately HK\$8.4 million for general working capital of the Group. |

LETTER FROM THE BOARD

Effects on the Shareholding Structure of the Company

Set out below is the shareholding structure of the Company (i) as at the Record Date and the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue:

| | Immediately after completion of the Rights Issue | | | | | | | |
|--------------------------------|---|---------------------|---|---------------------|---|---------------------|---|---------------------|
| | As at the Record Date and the Latest Practicable Date | | Assuming all Shareholders have taken up the Rights Shares | | Assuming only Mr. H Shi and Mr. J Shi had taken up their Rights Shares entitlement | | Assuming only Mr. H Shi and Mr. J Shi had taken up the maximum entitlement and Mr. H Shi had taken up the maximum number of excess Rights Shares (i.e. 1,011,250,890 Shares) | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Mr. H Shi (Notes 1 and 2) | 202,178,000 | 22.75 | 505,445,000 | 22.75 | 505,445,000 | 41.77 | 1,516,695,890 | 68.28 |
| Mr. J Shi (Note 3) | <u>12,200,000</u> | <u>1.37</u> | <u>30,500,000</u> | <u>1.37</u> | <u>30,500,000</u> | <u>2.52</u> | <u>30,500,000</u> | <u>1.37</u> |
| Sub-total of the Concert Group | 214,378,000 | 24.12 | 535,945,000 | 24.12 | 535,945,000 | 44.29 | 1,547,195,890 | 69.65 |
| Mr. Law Fei Shing (Note 4) | 2,800,000 | 0.32 | 7,000,000 | 0.32 | 2,800,000 | 0.23 | 2,800,000 | 0.13 |
| Public Shareholders | <u>671,367,260</u> | <u>75.56</u> | <u>1,678,418,150</u> | <u>75.56</u> | <u>671,367,260</u> | <u>55.48</u> | <u>671,367,260</u> | <u>30.22</u> |
| Total | <u><u>888,545,260</u></u> | <u><u>100.0</u></u> | <u><u>2,221,363,150</u></u> | <u><u>100.0</u></u> | <u><u>1,210,112,260</u></u> | <u><u>100.0</u></u> | <u><u>2,221,363,150</u></u> | <u><u>100.0</u></u> |

Notes:

- The 180,000,000 Shares out of 202,178,000 Shares are held by Master Point Overseas Limited, which is a company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is legally and beneficially owned by Mr. H Shi, an executive Director. The remaining 22,178,000 Shares out of the 202,178,000 Shares are held by Mr. H Shi in personal interests.
- Mr. H Shi is the chairman of the Company and an executive Director.
- Mr. J Shi is the chief executive officer of the Company and an executive Director. Mr. J Shi is the son of Mr. H Shi.
- Mr. Law Fei Shing is an executive Director.
- Save as disclosed above, none of the Directors have any shareholding in the Company.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon the conditions set out in the paragraph headed “Conditions of the Rights Issue” including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Accordingly, the Rights Issue may or may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

LETTER FROM THE BOARD

Shareholders should note that the Consolidated Shares have been dealt in on an ex-rights basis from Tuesday, 16 June 2020. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 10 July 2020 to Friday, 17 July 2020. Any persons contemplating dealings in the Shares prior to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Friday, 10 July 2020 to Friday, 17 July 2020 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Share or nil-paid Rights Shares are recommended to consult their own professional advisers.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this prospectus.

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the years ended 31 March 2018, 2019 and 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.anxianyuanchina.com>):

- Annual results announcement of the Company for the year ended 31 March 2020 (pages 2 to 16)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0630/2020063002038.pdf>
- Annual report of the Company for the year ended 31 March 2019 (pages 69 to 182)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0711/lt20190711512.pdf>
- Annual report of the Company for the year ended 31 March 2018 (pages 60 to 154)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0719/lt20180719452.pdf>

The following summary of financial information for each of the three years ended 31 March 2018, 2019 and 2020 are extracted from the consolidated financial statements of the Company as set forth in the annual reports of the Company for the years ended 31 March 2018 and 2019 and the annual results announcement of the Company for the year ended 31 March 2020, respectively.

| | Year ended 31 March | | |
|---|----------------------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 |
| | (audited) | (audited) | (audited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 206,609 | 223,120 | 286,990 |
| Profit before income tax | 39,039 | 35,404 | 76,667 |
| Income tax expense | (21,749) | (18,366) | (24,132) |
| Profit for the year | 17,290 | 17,038 | 52,535 |
| Profit/(Loss) attributable to: | | | |
| Owners of the company | 16,730 | 17,082 | 53,641 |
| Non-controlling interests | 560 | (44) | (1,106) |
| Total comprehensive income attributable to: | 89,025 | (30,958) | 7,829 |
| Owners of the company | 83,589 | (27,615) | 11,731 |
| Non-controlling interests | 5,436 | (3,343) | (3,902) |
| Earnings per Share | | | |
| Basic (<i>HK cents</i>) | 2.36 | 2.31 | 6.85 |
| | (restated) | | |
| Diluted (<i>HK cents</i>) | 2.36 | 2.31 | 6.85 |
| | (restated) | | |
| Dividends per Share | nil | nil | nil |

| | Year ended 31 March | | |
|--|---------------------|-----------|-----------|
| | 2018 | 2019 | 2020 |
| | (audited) | (audited) | (audited) |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Total assets | 1,192,104 | 1,098,710 | 1,069,029 |
| Total liabilities | 502,676 | 440,618 | 388,701 |
| Total equity | 689,428 | 658,092 | 680,328 |
| Non-controlling interests | 50,847 | 47,126 | 34,993 |
| Total equity attributable to owners of the Company | 638,581 | 610,966 | 645,335 |

The management discussion and analysis of the Company for each of the years ended 31 March 2018, 2019 and 2020 are disclosed in the annual reports of the Company for the years ended 31 March 2018 and 2019 and the annual results announcement of the Company for the year ended 31 March 2020, respectively.

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the Company's auditors' report for each of the three years ended 31 March 2018, 2019 and 2020.

2. INDEBTEDNESS

Borrowings

At the close of business on 31 May 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this prospectus, the Group had the outstanding borrowings of approximately HK\$155.8 million, which represented as follows:

| | <i>HK\$'000</i> |
|--|-----------------------|
| Bank loans | |
| – secured (<i>note (a)</i>) | 5,435 |
| – guaranteed and secured (<i>note (b)</i>) | 134,103 |
| Other borrowings | |
| – guaranteed and secured (<i>note (c)</i>) | 10,871 |
| - unsecured | <u>5,436</u> |
| | <u><u>155,845</u></u> |

Notes:

- (a) The balance is secured by certain property, plant and equipment of the Group.

- (b) The balance is secured by 98.38% equity interest in a subsidiary of the Group and properties owned by a related company in which one of the executive Directors has control, together with the rental income receivables from these properties and guaranteed by a subsidiary of the Group.
- (c) The balance represents a discounted bill which is secured by certain property, plant and equipment of the Group and guaranteed by a subsidiary of the Group.

Lease liabilities

The Group entered into several lease agreements for leasing of sales centers, offices and staff quarters located in the PRC and Hong Kong and recognised right-of-use assets and lease liabilities for the above-mentioned leases. Such lease liabilities amounted to HK\$2,003,000 as at 31 May 2020, which were classified as to HK\$1,388,000 as current liabilities and HK\$615,000 as non-current liabilities.

Contingent liabilities

As at the close of business on 31 May 2020, the Group did not have any significant contingent liabilities.

Save as aforementioned or as otherwise disclosed herein, and apart from intra-group liabilities within the Group and normal trade and other payables in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans of other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 May 2020.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources and the estimated net proceeds from the Rights Issue, the Company has sufficient working capital for at least twelve months from the date of this prospectus in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT

“Filial piety” is a key component of traditional Chinese culture. Aging population in the PRC has been increasing in recent years. According to statistics, it is estimated that the elderly population of aged 65 or above will hit over 300 million by 2035. With such huge population base, inheritance of customs and culture with respect to funeral and burial, the rising consumption power, and the increasing emotional demands and pursuit of quality in respect of funeral and burial services, all have laid a critical foundation for the development of funeral and burial industry in the PRC.

Along with the acceleration of urbanisation, the Chinese government responded to the needs of the new era by constantly deepening the funeral and burial reforms, and actively promoting the governance system and capacity of funeral and burial in order to pave the way for modernisation, thereby generated enormous new demands for funeral and burial services. The comprehensive implementation of funeral and burial reforms is a solid evidence for the immense development potentials and market opportunities in the funeral and burial industry, in which it fully demonstrated itself to be a promising industry.

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

During the period under review, the Group proactively promoted sustainable funeral and burial models and organised the business development and management of all of its cemeteries. With continuous in-depth cultivation of its core businesses, it actualised the comprehensive development of both “funeral” and “burial” businesses. As the core project of the Group, Zhejiang Anxian Yuan is a top-notch ecological and humanistic cemetery in the province and even in the entire PRC, where numerous late sages and masters were buried. The project also passed the “Three in One” (ISO quality, environment, and occupational health and safety) international standard certification. Meanwhile, leveraging on the successful development experience of its core project, the Group constantly enhanced its continuous investment in Yin Chuan Fu Shou Yuan and Zunyi Dashenshan Cemeteries. There was a vigorous growth in revenue during the period. As one of the leaders in the funeral and burial service industry in the PRC, the Group proactively responded to the call from the government and endeavoured to promote innovative conceptions such as humanistic funeral and burial, charitable funeral and burial, green funeral and burial, scientific funeral and burial, and online grave sweeping. Among which, land-saving wall burial was widely accepted and acquired satisfying profits. With an unwavering heart,

the Group always persisted in protecting and upholding historical customs and promoting traditional culture with emphasis on the sense of commitment to provide humanistic care. During the period, a number of humanistic memorial parks were renovated and the social welfare and historical memorial activities acquired positive feedbacks from the different sectors of the society. With regard to management, the Group continued to optimise its internal management and training system and further facilitated the growth and development of “Anxian Member”, which infused a stronger driving force of talents for the actualisation of the Group’s vision of future.

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

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 March 2020. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the consolidated net assets of the Group as at 31 March 2020 as extracted from the published annual results announcement of the Company for the year ended 31 March 2020 and is adjusted for the effect of the Rights Issue as if the Rights Issue had been completed on 31 March 2020. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group immediately after completion of the Rights Issue or any future date after completion of the Rights Issue.

| | Audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2020 | | Less: Intangible assets | | Less: Goodwill | | Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2020 | Estimated net proceeds from the Rights Issue | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2020 | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue |
|--|--|----------|-------------------------|----------|----------------|----------|---|--|--|---|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$ | |
| | (Note 1) | (Note 2) | (Note 3) | (Note 3) | (Note 3) | (Note 3) | (Note 4) | (Note 4) | (Note 6) | |
| Based on minimum number of 321,567,000 Rights Shares to be issued | 645,335 | 394,370 | 12,232 | 238,733 | 30,857 | 269,590 | 0.223 | | | |
| Based on maximum number of 1,332,817,890 Rights Shares to be issued | 645,335 | 394,370 | 12,232 | 238,733 | 131,982 | 370,715 | 0.167 | | | |
| Audited consolidated net tangible assets per Share prior to the completion of the Rights Issue (Note 5) (HK\$) | | | | 0.269 | | | | | | |

Notes:

- The audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2020 was approximately HK\$645,335,000 as extracted from the published annual results announcement of the Company for the year ended 31 March 2020.

2. The balance represents (1) intangible assets of the Group as at 31 March 2020 amounted to approximately HK\$417,703,000 as extracted from the published annual results announcement of the Company for the year ended 31 March 2020; and (2) excludes the portion held by non-controlling interests of approximately HK\$23,333,000.
3. Goodwill of the Group as at 31 March 2020 amounted to approximately HK\$12,232,000 as extracted from the published annual results announcement of the Company for the year ended 31 March 2020.
4. The estimated net proceeds from the Rights Issue of approximately HK\$30,857,000 is calculated based on 321,567,000 Rights Shares to be issued at the Subscription Price of HK\$0.1 per Rights Share, after deduction of estimated related expenses of approximately HK\$1,300,000.

The estimated net proceeds from the Rights Issue of approximately HK\$131,982,000 is calculated based on 1,332,817,890 Rights Shares to be issued at the Subscription Price of HK\$0.1 per Rights Share, after deduction of estimated related expenses of approximately HK\$1,300,000.

5. The number of Shares used for the calculation of the audited consolidated net tangible assets per Share prior to the completion of the Rights Issue is based on 888,545,260 Shares in issue as at 31 March 2020.
6. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after the completion of the Rights Issue is calculated, based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the maximum issuance of Rights Issue of HK\$370,715,000 divided by 2,221,363,150 Shares, which represents 888,545,260 Shares in issue as at 31 March 2020 and 1,332,817,890 Rights Shares to be issued pursuant to the Rights Issue, assuming that all Shareholders have taken up the Rights Shares or only Mr. H Shi and Mr. J Shi had taken up their Rights Shares entitlement and Mr. H Shi had taken up the maximum number of excess Rights Shares (i.e. 1,011,250,890 Shares) and the Rights Issue had been completed on 31 March 2020.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after the completion of the Rights Issue is calculated, based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the minimum issuance of Rights Issue of HK\$269,590,000 divided by 1,210,112,260 Shares, which represents 888,545,260 Shares in issue as at 31 March 2020 and 321,567,000 Rights Shares to be issued pursuant to the Rights Issue, assuming only Mr. H Shi and Mr. J Shi had taken up their Rights Shares entitlement and the Rights Issue had been completed on 31 March 2020.

7. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2020.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT

The following is the text of a report from the Reporting Accountants of the Company, BDO Limited, in respect of the unaudited pro forma financial information of the Group for the purpose of inclusion in this prospectus.



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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of Anxian Yuan China Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Anxian Yuan China Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Group as at 31 March 2020 and related notes as set out on pages II-1 to II-2 of Appendix II of the Company’s prospectus dated 8 July 2020 (the “**Prospectus**”) in connection with the proposed rights issue of new shares (the “**Proposed Rights Issue**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Rights Issue on the Group’s financial position as at 31 March 2020 as if the Proposed Rights Issue had taken place on 31 March 2020. As part of this process, information about the Group’s financial position has been extracted from the published annual results announcement of the Company for the year ended 31 March 2020.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant transaction on unadjusted financial information of the entity as if the transaction had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number P05018

Hong Kong, 8 July 2020

1. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

2. SHARE CAPITAL**(a) As at the Latest Practicable Date**

HK\$

Authorised share capital:

| | | |
|-----------------------|-------------------------|----------------------|
| <u>10,000,000,000</u> | Shares of HK\$0.10 each | <u>1,000,000,000</u> |
|-----------------------|-------------------------|----------------------|

Issued and fully paid:

| | | |
|--------------------|-------------------------|-------------------|
| <u>888,545,260</u> | Shares of HK\$0.10 each | <u>88,854,526</u> |
|--------------------|-------------------------|-------------------|

(b) Immediately following the completion of the Rights Issue (assuming all Qualifying Shareholders have taken up the Rights Shares to which they are entitled)

HK\$

Authorised share capital:

| | | |
|-----------------------|-------------------------|----------------------|
| <u>10,000,000,000</u> | Shares of HK\$0.10 each | <u>1,000,000,000</u> |
|-----------------------|-------------------------|----------------------|

Issued and fully paid:

| | | |
|----------------------|---|--------------------|
| 888,545,260 | Shares of HK\$0.10 each | 88,854,526 |
| <u>1,332,817,890</u> | Rights Shares to be allotted and issued under the Rights Issue | <u>133,281,789</u> |

| | | |
|----------------------|--|--------------------|
| <u>2,221,363,150</u> | Shares in issue immediately upon completion of the Rights Issue | <u>222,136,315</u> |
|----------------------|--|--------------------|

All Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

Since 31 March 2020 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, no Shares had been issued.

The Rights Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the Rights Shares.

The Company has applied to the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options, warrants or derivatives in issue which conferred any right to subscribe for, convert, or exchange into the Shares and there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

| Name | Capacity | Number of shares interested in (long position) | Approximate % of interest |
|-------------------------|---------------------------------------|--|------------------------------|
| Mr. H Shi <i>(Note)</i> | Beneficial Owner | 22,178,000 | 2.50 |
| | Interest of controlled corporation | 180,000,000 | 20.25 |
| Mr. J Shi | Beneficial Owner | 12,200,000 | 1.37 |
| Mr. Law Fei Shing | Beneficial Owner | 2,800,000 | 0.32 |

Note:

The 180,000,000 Shares out of 202,178,000 Shares are held by Master Point Overseas Limited which is a company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is legally and beneficially owned by Mr. H Shi, an executive director of the Company. The remaining 22,178,000 Shares out of the 202,178,000 Shares are held by Mr. H Shi in personal interests.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following Shareholders other than a Director or chief executive of the Company had an interest or short position in the shares and underlying shares of the Company, (a) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (b) who was, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities.

| Name | Capacity | Number of shares interested in (long position) | Approximate % of interest |
|---|------------------|--|------------------------------|
| Master Point Overseas Limited <i>(Note)</i> | Beneficial Owner | 180,000,000 | 20.25 |
| Ms. Yan Zulin | Beneficial Owner | 44,644,000 | 5.02 |

Note: The interest of Master Point Overseas Limited is also disclosed as the interest of Mr. H Shi, the beneficial owner of Master Point Overseas Limited, in the above section headed "Directors' and Chief Executive's Interests in the Shares, Underlying shares And Debentures of the Company and its associated corporations".

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

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had any service contracts with the Group other than those which were expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN GROUP'S ASSETS OR CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been since 31 March 2020 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group from 7 July 2018 (being the date falling two years immediately preceding 8 July 2020 (being the date of this prospectus)) up to and including the Latest Practicable Date:

- (a) the placing and underwriting agreement dated 29 November 2019 entered into between the Company (as issuer) and Supreme China Securities Limited (as placing agent) in relation to the placing of up to a maximum of 148,000,000 new Shares at the placing price of HK\$0.15 per Share with a placing fee of approximately HK\$333,000 payable by the Company to Supreme China Securities Limited;
- (b) the HS Deed of Covenants and Undertakings; and
- (c) the JS Deed of Covenants and Undertakings.

9. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to the financial advising fees, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$1.3 million and are payable by the Company.

10. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given its opinion, letter or advice contained in this prospectus:

| Name | Qualification |
|-------------|------------------------------|
| BDO Limited | Certified public accountants |

The above expert has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 March 2020 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

11. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

Copies of the Prospectus Documents and the written consent referred to in the paragraph headed “10. Expert and Consent” in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

12. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

| | |
|--|--|
| Registered Office of the Company | Clarendon House 2 Church Street Hamilton HM 11 Bermuda |
| Head Office and Principal Place of Business in Hong Kong of the Company | Room 1215, Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong |
| Authorised Representatives of the Company | Mr. H Shi Room 1215, Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong Mr. Law Fei Shing Room 1215, Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong |

| | |
|--|--|
| Company Secretary of the Company | Mr. Law Fei Shing <i>(member of American Institute of Certified Public Accountants (AICPA), USA and associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA))</i> |
| Auditor/Reporting Accountants of the Company | BDO Limited 25th Wing On Centre 111 Connaught Road Central Hong Kong |
| Principal Banker of the Company | CMB Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong |
| Principal Share Registrar and Transfer Office of the Company | MUFG Fund Services (Bermuda) Limited 4th floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda |
| Hong Kong Branch Share Registrar and Transfer Office of the Company | Tricor Abacus Limited Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong |
| Financial Adviser to the Company | Lego Corporate Finance Limited Room 1601, 16/F, China Building, 29 Queen's Road Central, Hong Kong |
| Legal Advisers to the Company | <i>As to Bermuda law</i> Conyers Dill & Pearman 29th Floor, One Exchange Square 8 Connaught Place Central, Hong Kong |

13. PARTICULARS OF DIRECTORS**Executive Directors**

Mr. Shi Hua, aged 68, was appointed as an executive Director on 20 June 2011. He is also the chairman of the Company and chairman of the Nomination Committee as from 15 December 2011 and 30 March 2012, respectively. Mr. H Shi was the chief executive officer of the Company from 15 December 2011 to 22 January 2014. Mr. H Shi was a teacher of 浙江汽校寧波分校 (Zhejiang Motor School, Ningbo Branch*) from 1976 to 1977. During 1977 to 1990, Mr. H Shi worked for Zhejiang Civil Affairs Bureau and was responsible for the daily office routine of the Civil Affairs Bureau. During 1990 to 1996, Mr. H Shi worked for 杭州富安刺繡服裝廠 (Hangzhou Fu An Embroidery Clothing Factory*) as its manager to oversee the overall day-to-day operation. In 1996, Mr. H Shi established 浙江富安移民經濟開發有限公司 (Zhejiang Fu An Immigration Economic Development Company Limited*) and worked as its chairman and general manager. He was fully responsible for the Company's operational management and investment decisions. In 1999, Mr. H Shi established Zhejiang Anxian Yuan and worked as its chairman of the board of directors and general manager. In 2007, he resigned from Zhejiang Anxian Yuan as general manager but remains as its chairman. Mr. H Shi also has been the president of Funeral Association of Zhejiang Province since September 2018. Mr. H Shi is the father of Mr. J Shi who is an executive Director and the chief executive officer of the Company.

Mr. Shi Jun, aged 38, was appointed as an executive Director and chief executive officer of the Company on 15 December 2011 and 23 January 2014, respectively. From 2003 to 2005, Mr. J Shi worked for 浙江富安移民經濟開發有限公司 (Zhejiang Fu An Immigration Economic Development Company Limited*) as a deputy business manager, and was responsible for business development. From 2005 to 2007, Mr. J Shi worked for Hangzhou Haoletian Etiquette Service Company Limited* (杭州好樂天禮儀服務有限公司) as a deputy general manager responsible for the company's overall business operations. In 2007, Mr. J Shi worked for Zhejiang Anxian Yuan as an assistant general manager and was responsible for the company's human resources and general business plan. He has been the general manager of Zhejiang Anxian Yuan since 2008, and was responsible for the company's overall daily operations. He is currently a director of Zhejiang Anxian Yuan. Mr. J Shi also has been the president of Funeral Association of Hangzhou since May 2018. Mr. J Shi is a son of Mr. H Shi who is an executive Director and the chairman of the Company.

Mr. Law Fei Shing, aged 60, was appointed as an Independent Non-executive Director on 4 June 2009 and was redesignated to Executive Director on 10 June 2009. He is also the company secretary and Deputy Chief Executive Officer of the Company as from 22 July 2011 and 23 January 2014 respectively. Mr. Law is a certified public accountant practicing in Hong Kong. He is also a member of American Institute of Certified Public Accountants (AICPA), USA and associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA). Mr. Law has over 30 years of experience in the audit and accounting services. Currently, Mr. Law is a non-executive director of each of S. Culture International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1255) and Pak Tak International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2668) (He was re-designated from the executive director to the non-executive director of Pak Tak International Limited on 16 December 2014).

Mr. Law was a non-executive director of Beautiful China Holdings Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 706) from January 2014 to December 2017. He was an executive director and a non-executive director of Legend Strategy International Holdings Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1355) from November 2014 to April 2016 and from April 2016 to December 2016, respectively. He was an executive director of China Assurance Finance Group Limited (a company listed on GEM, stock code: 8090) from December 2017 to March 2019.

Non-executive Director

Mr. Wang Hongjie, aged 66, was appointed as a Non-executive Director on 23 January 2014. Mr. Wang is holding an on-job postgraduate qualification with the title of senior economist. Mr. Wang is currently the vice president of China Funeral Association and concurrently the director of its Funeral Service Working Committee. Mr. Wang has worked for Shanghai Civil System with over 20 years of experiences serving as a factory director, general manager and chairman. He served as the deputy general manager of Shanghai City Civil Affair Industrial Corporation (上海市民政工業總公司) and concurrently the general manager and secretary of the party committee of Shanghai Tianyang Electrical Appliances Industrial Company (上海天陽電器實業公司), and the deputy general manager of Shanghai Civil Affair (Group) Co., Ltd. (上海民政(集團)有限公司) and concurrently the chairman and general manager of Shanghai Sanzhi Auto Parts Industrial Co., Ltd. (上海三智汽配實業有限公司), all enabling him to be familiar with corporate operation and management. Mr. Wang joined Shanghai Funeral Service Centre (上海市殯葬服務中心) in 2003 and held the positions of deputy secretary and secretary of the party committee and the director of the Centre, and he had concurrently served as the vice chairman of Shanghai Huilongyuan (上海匯龍園) and the chairman of Shanghai Binhai Guyuan (上海濱海古園) for a long time among other positions. Mr. Wang served as the president of Shanghai Funeral and Interment Trade Association from March 2004 to December 2016, holding such position for nearly thirteen years. He was also the director of the Local Coordination Committees of China Funeral Association in 2007 and served as the vice president of China Funeral Association and concurrently as the director of the Funeral Service Working Committee in January 2012. He has over a decade of extensive experiences in the funeral business in mainland China and is well versed with the funeral market in the mainland.

Independent non-executive Directors

Mr. Chan Koon Yung, aged 61, was appointed as an Independent Non-executive Director on 24 June 2014. He is the chairman of each of Audit Committee and Remuneration Committee and the member of Nomination Committee. Mr. Chan is currently a Practising Certified Public Accountant in Hong Kong. Mr. Chan obtained a Master degree of Business Administration from the University of Strathclyde in the United Kingdom in 1993. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He acted as the financial director of Greater China for Tupperware Brand Corporation and the general manager of Hong Kong operation for Herbalife Ltd., both of which are listed companies in the United States. He has many years of experience in management, audit, finance, taxation and accounting.

Mr. Lum Pak Sum, aged 59, was appointed as an Independent Non-executive Director on 15 May 2017. He is the member of each of Audit Committee, Remuneration Committee and Nomination Committee. Mr. Lum obtained a master's degree in business administration from The University of Warwick in 1994 and a bachelor's degree in laws from University of Wolverhampton in 2002. He has been currently a non-practising fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, U.K. since 1996 and 1993 respectively. Mr. Lum possesses over 20 years working experience in money market and capital market.

Mr. Lum's positions in other companies listed on the Stock Exchange in the present and in the last three years are set out below:

| Name of company | Position | Period of service |
|---|------------------------------------|-----------------------------|
| Great China Properties Holdings Limited (stock code: 21) | Independent non-executive director | August 2007 to present |
| i-Control Holdings Limited (stock code: 8355) | Independent non-executive director | May 2015 to present |
| Kwan On Holdings Limited (stock code: 1559) | Independent non-executive director | August 2016 to present |
| S. Culture International Holdings Limited (stock code: 1255) | Independent non-executive director | June 2017 to present |
| Sunway International Holdings Limited (stock code: 58) | Non-executive director | May 2019 to present |
| China Graphene Group Limited (stock code: 63) | Independent non-executive director | September 2019 to present |
| Jintai Energy Holdings Limited (formerly known as Yuhua Energy Holdings Limited) (stock code: 2728) | Independent non-executive director | December 2014 to April 2019 |
| Beautiful China Holdings Company Limited (stock code: 706) | Independent non-executive director | January 2014 to August 2018 |
| CHK Oil Limited (formerly known as Pearl Oriental Oil Limited) (stock code: 632) | Independent non-executive director | December 2017 to June 2018 |
| Roma Group Limited (stock code: 8072) | Chief executive officer | June 2017 to 1 October 2017 |

Mr. Yao Hong, aged 60, was appointed as an Independent Non-executive Director on 26 November 2018. He is the member of each of Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Yao graduated from the Central South University in 1982 with a major in non-ferrous metal smelting and obtained a master's degree in industrial catalysis from the Zhejiang University of Technology in 2005. He is a senior engineer in mainland China. From August 1982 to April 1985, he worked for 天津冶金材料研究所 (Tianjin Metallurgical Materials Research Institute). From May 1985 to April 1996, he worked for 中國國內貿易部物資再生利用研究所 (Institute of Materials Recycling and Utilization of the Ministry of Internal Trade of the PRC) as the director of the first research office and the secretary of the director of the institute. From May 1996 to December 2004, he worked for 浙江省冶金研究院有限公司 (Zhejiang Metallurgical Research Institute Co., Ltd.) as the general manager of the precious metal research laboratory, and has received various awards from the institute. Mr. Yao founded 杭州凱大催化金屬材料有限公司 (Hangzhou Kaida Metal Catalyst & Compounds Co., Ltd.) in March 2005 and served as an executive director and the general manager. In 2012, he won the 拱墅區優秀科技工作者獎 (Excellent Scientific Workers Award of Gongshu District). In April 2014, 杭州凱大催化金屬材料有限公司 (Hangzhou Kaida Metal Catalyst & Compounds Co., Ltd.) was renamed as 杭州凱大催化金屬材料股份有限公司 (Hangzhou Kaida Metal Catalyst & Compounds Co., Ltd.) ("Kaida Catalyst"). The shares of Kaida Catalyst was successfully listed on the New Third Board of the PRC on 13 August 2014. Since then, Mr. Yao has been serving as a director and the chairman and general manager of Kaida Catalyst (a company whose shares are listed on the New Third Board of the PRC, stock code: 830974).

Business address of the Directors

The business address of the Directors and chief executive officer is the same as the Company's head office and principal place of business in Hong Kong at Room 1215, Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong.

14. LEGAL EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, so far as applicable.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. at the head office and principal place of business of the Company in Hong Kong at Room 1215, Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong from the date of this prospectus up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the financial years ended 31 March 2018 and 31 March 2019;
- (c) the report from BDO Limited on the unaudited pro forma financial information of the Group as set out in Appendix II to this prospectus;
- (d) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (e) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix;
- (f) the Circular; and
- (g) this prospectus.

16. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The English text of this prospectus shall prevail over the respective Chinese text in case of inconsistency.