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ANXIAN YUAN CHINA HOLDINGS LIMITED

安賢園中國控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0922)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

The Board of the Company announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2014 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		Unaudited Six months ended 30 September	
		2014	2013
	Notes	HK\$'000	HK\$'000
Revenue	4	46,715	31,747
Cost of sales		<u>(12,601)</u>	<u>(10,000)</u>
Gross profit		34,114	21,747
Other income	4	4,908	7,348
Selling expenses		(7,687)	(5,564)
Administrative expenses		(19,267)	(17,066)
Finance costs	5	(2)	(3,554)
Profit before income tax	6	12,066	2,911
Income tax expense	7	(6,318)	(2,018)
Profit for the period		5,748	893

* For identification purposes only

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Exchange gain on translation of financial statements of foreign operations	<u>402</u>	<u>8,207</u>
Other comprehensive income for the period, net of tax	<u>402</u>	<u>8,207</u>
Total comprehensive income for the period	<u>6,150</u>	<u>9,100</u>
Profit for the period attributable to:		
Owners of the Company	5,609	819
Non-controlling interests	<u>139</u>	<u>74</u>
	<u>5,748</u>	<u>893</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	6,004	8,894
Non-controlling interests	<u>146</u>	<u>206</u>
	<u>6,150</u>	<u>9,100</u>
Earnings per share for profit attributable to the owners of the Company during the period	<i>9</i>	
Basic (<i>HK cents</i>)	0.09	0.02
Diluted (<i>HK cents</i>)	<u>0.09</u>	<u>0.02</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

		Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	7,423	6,667
Investment properties	<i>11</i>	1,393	1,556
Intangible assets	<i>12</i>	393,275	394,009
Deferred expenditure	<i>13</i>	68,856	71,150
Deposits for property, plant and equipment		8,871	–
Available-for-sale financial assets	<i>14</i>	4,037	–
		483,855	473,382
Current assets			
Development and formation costs	<i>15</i>	108,726	105,550
Inventories		15,860	8,963
Trade receivables	<i>16</i>	104,976	125,404
Prepayments, deposits and other receivables	<i>17</i>	47,946	25,475
Pledged bank deposits	<i>18</i>	21,452	21,436
Cash and bank balances		59,599	10,703
		358,559	297,531
Current liabilities			
Trade payables	<i>19</i>	9,811	2,130
Other payables, accruals, deposits received and receipts in advance	<i>20</i>	41,723	46,602
Bank borrowings	<i>21</i>	102,213	102,137
Amounts due to directors		11,456	6,500
Amounts due to non-controlling interests		2,899	1,144
Tax payables		34,265	34,201
		202,367	192,714
Net current assets		156,192	104,817
Total assets less current liabilities		640,047	578,199

		Unaudited	Audited
		30 September	31 March
		2014	2014
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities			
Promissory notes	22	12,538	12,074
Receipts in advance	20	10,877	11,431
Deferred tax liabilities		<u>100,241</u>	<u>98,792</u>
		<u>123,656</u>	<u>122,297</u>
Net assets		<u>516,391</u>	<u>455,902</u>
EQUITY			
Share capital	24	476,062	444,062
Reserves		<u>31,884</u>	<u>3,541</u>
Equity attributable to owners of the Company		507,946	447,603
Non-controlling interests		<u>8,445</u>	<u>8,299</u>
Total equity		<u>516,391</u>	<u>455,902</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's principal place of business in Hong Kong was changed from Room 2118, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong to 9th Floor, Cheuk Nang Plaza, 250 Hennessy Road, Wanchai, Hong Kong with effect from 9 September 2014. The Shares are listed on the Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of the Group for the Period are Cemetery Business. The Group's principal places of the business are in Hong Kong and in the PRC.

There were no other significant changes in the Group's operations during the Period.

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with HKAS34 "Interim Financial Reporting" issued by HKICPA and with the applicable disclosure requirements of the Listing Rules.

These financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2014, except for the adoption of the new and revised HKFRSs as disclosed in note 2 to the condensed consolidated financial statements.

These financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2014.

These financial statements are presented in HK\$, which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK\$'000") unless otherwise indicated.

These financial statements were approved for issue by the Board on 27 November 2014.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new standards or amended HKFRSs

In the Period, the Group has applied for the first time the following amendments issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2014:

Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets

The adoption of these amendments to HKFRSs did not change the Group's accounting policies as followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

(b) New or revised HKFRSs that have been issued but are not yet effective

The Group has not applied the following new standards and amendments to HKFRSs that have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Hedge Accounting ³
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contract with Customers ⁵
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

³ No mandatory effective date yet determined but is available for adoption

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 January 2017

⁶ Effective for annual periods beginning on or after 1 January 2018

Other than as described above, the Directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group identifies its operating segments and prepares segment information based on the regular internal financial information reported to the Group's management for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the Group's management are determined following the Group's major product and service lines. For the six months ended 30 September 2014 and 2013, the Group has one single business segment, namely cemetery business.

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	<i>HK\$'000</i>
From external customer		
Reportable segment revenue	46,715	31,747
Reportable segment profit	12,625	4,265
Interest income	23	17
Write back of provision for columbarium construction cost	4,885	–
Depreciation	(1,240)	(1,149)
Amortisation of intangible assets	(1,025)	(764)
Amortisation of deferred expenditure	(2,341)	(2,333)
Income tax expense	(5,401)	(1,850)
	Unaudited	Audited
	As at	As at
	30 September	31 March
	2014	2014
	HK\$'000	<i>HK\$'000</i>
Reportable segment assets	782,968	769,617
Additions to non-current segment assets during the period/year	2,019	1,854
Reportable segment liabilities	(298,211)	(292,597)

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the condensed consolidated financial statements as follows:

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	<i>HK\$'000</i>
Reportable segment revenue	46,715	31,747
Reportable segment profit	12,625	4,265
Financial costs	2	(3,554)
Reversal of provision for impairment loss on other receivables	–	7,317
Employee benefit expenses	(2,125)	(1,929)
Other unallocated corporate expenses	(4,754)	(5,206)
Profit for the period	5,748	893
	Unaudited	Audited
	As at	As at
	30 September	31 March
	2014	2014
	HK\$'000	<i>HK\$'000</i>
Reportable segment assets	782,968	769,617
Property, plant and equipment	535	723
Available for sale financial assets	4,037	–
Prepayments, deposits and other receivables	732	271
Cash and bank balances	54,142	302
Group assets	842,414	770,913
Reportable segment liabilities	298,211	292,597
Promissory notes	12,538	12,074
Amounts due to directors	11,456	6,500
Other unallocated corporate liabilities	3,818	3,840
Group liabilities	326,023	315,011

For the six months ended 30 September 2014 and 2013, the Group's revenue from external customers is all derived in the PRC where the services were provided or the goods were delivered.

During the six months ended 30 September 2014 and 2013, there was no customer with whom transactions had exceeded 10% of the Group's revenue.

The Group's non-current assets are divided into the following geographical areas, which are based on the physical location of these assets. The Company is an investment holding company where the Group has majority of its corporate decision making in Hong Kong, and therefore, Hong Kong is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

Non-current assets:

	Unaudited As at 30 September 2014 <i>HK\$'000</i>	Audited As at 31 March 2014 <i>HK\$'000</i>
Hong Kong (domicile)	535	723
The PRC	<u>483,320</u>	<u>472,659</u>
Total	<u>483,855</u>	<u>473,382</u>

4. REVENUE AND OTHER INCOME

Turnover of the Group is the revenue for the Group's principal activities as disclosed in note 1 to the condensed consolidated financial statements. Revenue from the Group's principal activities and other income recognised during the Period are as follows:

	Unaudited Six months ended 30 September 2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue		
Sales of tombs	45,921	31,241
Management fee income	<u>794</u>	<u>506</u>
	<u>46,715</u>	<u>31,747</u>
Other revenue		
Interest income on financial assets stated at amortised cost	23	17
Reversal of provision for impairment loss on other receivables	–	7,317
Write back of provision for columbarium construction cost	4,885	–
Sundry income	<u>–</u>	<u>14</u>
	<u>4,908</u>	<u>7,348</u>

5. FINANCE COSTS

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Interest charged on:		
Bank borrowings stated at amortised cost wholly repayable within five years	3,580	3,372
Promissory notes	464	3,166
	<u>4,044</u>	<u>6,538</u>
<i>Less:</i> Amount capitalised in development and formation costs	<u>(4,042)</u>	<u>(2,984)</u>
	<u>2</u>	<u>3,554</u>

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the six months ended 30 September 2014, interest on bank borrowings which contain a repayment on demand clause amounted to HK\$3,580,000 (2013: HK\$3,372,000).

Borrowing costs were capitalised at the weighted average rate of 5.9% (2013: 7.2%) per annum for the Period.

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Amortisation of intangible assets	1,025	764
Amortisation of deferred expenditure	2,341	2,333
Auditor's remuneration	300	280
Cost of inventories recognised as an expense	9,236	6,903
Depreciation		
– Property, plant and equipment	1,237	1,145
– Investment properties	163	163
Operating lease charges in respect of premises	<u>1,530</u>	<u>1,185</u>

7. INCOME TAX EXPENSE

	Unaudited Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Current tax – the PRC		
Charged for the period	4,940	1,942
Deferred tax		
Charged for the period	846	165
Credited for the period	(73)	(257)
Withholding tax on undistributed profits of foreign operations	605	168
	<u>6,318</u>	<u>2,018</u>

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for both periods.

The subsidiaries established in the PRC are subject to income taxes at tax rate of 25% (six months ended 30 September 2013: 25%).

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (2013: Nil).

9. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share attributable to the ordinary equity holders of the Company are based on the following data:

	Unaudited Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>5,609</u>	<u>819</u>
Number of Shares	('000)	('000)
Weighted average number of Shares for the purpose of basic earnings per share	6,420,623	3,495,554
Effect of dilutive potential shares:		
– Share options	<u>79,158</u>	<u>–</u>
Weighted average number of Shares for the purposes of diluted per share	<u>6,499,781</u>	<u>3,495,554</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Unaudited				
	Buildings <i>HK\$'000</i>	Furniture fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2013 and 1 April 2013					
Cost	6,809	1,022	4,668	394	12,893
Accumulated depreciation	(2,747)	(750)	(2,217)	(195)	(5,909)
Net carrying amount	<u>4,062</u>	<u>272</u>	<u>2,451</u>	<u>199</u>	<u>6,984</u>
Six months ended 30 September 2013					
Opening net carrying amount	4,062	272	2,451	199	6,984
Additions	–	110	92	4	206
Disposals	–	(4)	–	–	(4)
Depreciation	(568)	(82)	(438)	(57)	(1,145)
Exchange realignment	69	2	28	–	99
Closing net carrying amount	<u>3,563</u>	<u>298</u>	<u>2,133</u>	<u>146</u>	<u>6,140</u>
At 30 September 2013					
Cost	6,935	1,140	4,810	398	13,283
Accumulated depreciation	(3,372)	(842)	(2,677)	(252)	(7,143)
Net carrying amount	<u>3,563</u>	<u>298</u>	<u>2,133</u>	<u>146</u>	<u>6,140</u>
At 31 March 2014 and 1 April 2014					
Cost	7,755	1,535	5,245	398	14,933
Accumulated depreciation	(3,969)	(935)	(3,052)	(310)	(8,266)
Net carrying amount	<u>3,786</u>	<u>600</u>	<u>2,193</u>	<u>88</u>	<u>6,667</u>
Six months ended 30 September 2014					
Opening net carrying amount	3,786	600	2,193	88	6,667
Additions	–	919	935	165	2,019
Disposals	–	–	–	(28)	(28)
Depreciation	(614)	(124)	(436)	(63)	(1,237)
Exchange realignment	1	–	1	–	2
Closing net carrying amount	<u>3,173</u>	<u>1,395</u>	<u>2,693</u>	<u>162</u>	<u>7,423</u>
At 30 September 2014					
Cost	7,760	2,455	6,184	222	16,621
Accumulated depreciation	(4,587)	(1,060)	(3,491)	(60)	(9,198)
Net carrying amount	<u>3,173</u>	<u>1,395</u>	<u>2,693</u>	<u>162</u>	<u>7,423</u>

At 30 September 2014, the Group's buildings with aggregate net carrying amounts of approximately HK\$3,110,000 (30 September 2013: HK\$3,417,000) were situated on the land in the PRC and the land was granted to Zhejiang Anxian Yuan by Hangzhou City Housing and Land Resources Bureau on 5 June 2003 at nil consideration. The land is restricted for cemetery use with indefinite lease term but is not freely transferable under the land use rights certificate (杭余國用(2003)字第8-834號). The Group's remaining buildings with a net carrying amount of approximately HK\$63,000 as at 30 September 2014 (30 September 2013: HK\$146,000) were situated in the PRC and are held on leases under medium term.

11. INVESTMENT PROPERTIES

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
At 1 April		
Cost	2,648	2,600
Accumulated depreciation	(1,092)	(750)
	<u>1,556</u>	<u>1,850</u>
Net carrying amount	<u>1,556</u>	<u>1,850</u>
During the period		
Opening net carrying amount	1,556	1,850
Depreciation	(163)	(163)
Exchange realignment	–	33
	<u>1,393</u>	<u>1,720</u>
Closing net carrying amount	<u>1,393</u>	<u>1,720</u>
At 30 September		
Cost	2,650	2,648
Accumulated depreciation	(1,257)	(928)
	<u>1,393</u>	<u>1,720</u>
Net carrying amount	<u>1,393</u>	<u>1,720</u>

At 30 September 2014, investment properties with net carrying amount of approximately HK\$1,393,000 (30 September 2013: HK\$1,720,000) represent certain restricted properties situated in the PRC which are not allowed to be traded in the open market until, in future, the PRC government resumes the land on which the investment properties are situated and the maximum compensation payable to the Group will be RMB2,100,000, equivalent to approximately HK\$2,650,000.

12. INTANGIBLE ASSETS

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
At 1 April		
Cost	405,947	398,649
Accumulated amortisation	(11,938)	(8,068)
	<u>394,009</u>	<u>390,581</u>
Net carrying amount	<u>394,009</u>	<u>390,581</u>
During the period		
Opening net carrying amount	394,009	390,581
Amortisation	(1,025)	(764)
Exchange realignment	291	7,237
	<u>393,275</u>	<u>397,054</u>
Closing net carrying amount	<u>393,275</u>	<u>397,054</u>
At 30 September		
Cost	406,250	406,039
Accumulated amortisation	(12,975)	(8,985)
	<u>393,275</u>	<u>397,054</u>
Net carrying amount	<u>393,275</u>	<u>397,054</u>

Intangible assets represented the land use rights allocated by the PRC government and the cemetery licence. The fair value was determined by a firm of independent professional qualified surveyor, LCH (Asia-Pacific) Surveyors Limited (“LCH”), by using the Multi-Period Excess Earnings Methods at acquisition date. The Directors have reviewed and adopted the techniques used by LCH for initial measurement of the intangible assets. In the opinion of the Directors, the objective of LCH’s valuation is to estimate fair value which reflects the current transactions and practices in the industry to which the asset belongs.

13. DEFERRED EXPENDITURE

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
At 1 April		
Cost	93,696	92,011
Accumulated amortisation	<u>(22,546)</u>	<u>(17,534)</u>
Net carrying amount	<u>71,150</u>	<u>74,477</u>
During the period		
Opening net carrying amount	71,150	74,477
Amortisation	(2,341)	(2,333)
Exchange realignment	<u>47</u>	<u>1,368</u>
Closing net carrying amount	<u>68,856</u>	<u>73,512</u>
At 30 September		
Cost	93,892	93,843
Accumulated amortisation	<u>(25,036)</u>	<u>(20,331)</u>
Net carrying amount	<u>68,856</u>	<u>73,512</u>

Deferred expenditure is mainly the costs incurred on public facilities to enhance better landscape and environment to the cemetery.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets represents unlisted equity interests in limited companies in the PRC. Included in the balances are investments in 上海朗泰醫院後勤管理有限公司 and 杭州安白事電子商務有限公司 for RMB2,000,000 (approximately HK\$2,523,000) and RMB1,200,000 (approximately HK\$1,514,000) respectively. Details of the investment in 上海朗泰醫院後勤管理有限公司 are set out in the Company's announcement dated 3 March 2014.

15. DEVELOPMENT AND FORMATION COSTS

	Unaudited As at 30 September 2014 HK\$'000	Audited As at 31 March 2014 HK\$'000
Development and formation costs – tombs	<u>108,726</u>	<u>105,550</u>

As at 30 September 2014, development and formation costs of approximately HK\$99,210,000 (31 March 2014: approximately HK\$95,645,000) are expected to be recovered more than one year.

16. TRADE RECEIVABLES

Trade receivables generally have credit terms of 30 to 365 days (31 March 2014: 30 to 365 days). No interest is charged to the Group's customers. The Group has a credit policy in place, and exposures are monitored and overdue balances are reviewed by senior management on an ongoing basis.

Based on the invoice dates, ageing analysis of trade receivables is as follows:

	Unaudited As at 30 September 2014 HK\$'000	Audited As at 31 March 2014 HK\$'000
Within 60 days	–	77,236
180 to 365 days	56,772	–
Over 365 days	<u>48,204</u>	<u>48,168</u>
	<u>104,976</u>	<u>125,404</u>

The Directors consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

Ageing analysis of trade receivables past due but not impaired is as follows:

	Unaudited As at 30 September 2014 HK\$'000	Audited As at 31 March 2014 HK\$'000
Neither past due nor impaired	–	77,236
31 to 365 days past due	56,772	–
Over 365 days past due	48,204	48,168
	104,976	48,168
	104,976	125,404

As at 30 September 2014, trade receivables of HK\$68,712,000 (31 March 2014: HK\$68,661,000) related to a customer with good and reliable credit rating. The remaining balance of HK\$36,264,000 (31 March 2014: 56,743,000) related to another customer with repayment schedule. Management believes that no impairment allowance is necessary in respect of these balances as the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited As at 30 September 2014 HK\$'000	Audited As at 31 March 2014 HK\$'000
Prepayments	44,528	19,203
Other receivables (<i>note</i>)	2,691	6,008
Deposits paid	727	264
	47,946	25,475

Note:

	Unaudited As at 30 September 2014 HK\$'000	Audited As at 31 March 2014 HK\$'000
Other receivables	77,158	80,475
Less: Provision for impairment loss	(74,467)	(74,467)
Other receivables, net	2,691	6,008

As at 30 September 2014, included in the Group's other receivables (before provision for impairment loss) are receivable from Mr. Fu Yuan Ji ("Mr. Fu") of HK\$74,467,000 (31 March 2014: HK\$74,467,000).

In October 2009, a refundable deposit of HK\$80,000,000 was paid to an independent third party, Mr. Fu by the Company's subsidiary, Sino Grandeur, in respect of the original agreement dated 13 October 2009, entered into with Mr. Fu to acquire the entire equity interests in Topace Investments Limited (together with its subsidiaries collectively referred to as the "Topace Group") for a consideration of HK\$2,000,000,000. Details of this potential investment are set out in the Company's circulars dated 24 December 2009 and 15 February 2011. As announced by the Company on 1 December 2011, as the conditions precedent of this potential investment were not satisfied by 30 November 2011, the related agreement was lapsed on 1 December 2011 and the refundable deposit of HK\$80,000,000 was reclassified to other receivable from 1 December 2011. In the opinion of the Directors, the recoverability of such amount would take a long period of time and it was estimated that its recoverability was remote. Accordingly, full provision was made during the year ended 31 March 2012.

On 14 May 2012, Sino Grandeur instituted legal proceedings in Hong Kong against Mr. Fu to claim refundable deposit of HK\$80,000,000. On 29 June 2012, Sino Grandeur and Mr. Fu reached an agreement pursuant to which Mr. Fu agreed to repay HK\$80,000,000 together with interests accrued thereon by way of 16 quarterly instalments with the first instalment to be paid on or before 30 September 2012 and the last instalment to be paid on or before 30 June 2016. Details are set out in the Company's announcements dated 15 May 2012 and 9 July 2012. During the year ended 31 March 2013, the first instalment of HK\$5,533,000 was settled. In the opinion of the Board and in view that only the first instalment was settled, the recoverability of the remaining balance of HK\$74,467,000 remained remote and full impairment loss provision was maintained as at 30 September 2014.

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

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

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

Movements in the provision for impairment loss on other receivables are as follows:

	Unaudited Six months ended 30 September 2014 HK\$'000	Audited Year ended 31 March 2014 HK\$'000
At 1 April 2014/1 April 2013	74,467	81,784
Reversal of provision for impairment loss	—	(7,317)
	<u>74,467</u>	<u>74,467</u>
At 30 September 2014/31 March 2014	74,467	74,467

18. PLEDGED BANK DEPOSITS

As at 30 September 2014, the Group's bank borrowings amounted to approximately HK\$18,928,000 (31 March 2014: HK\$18,914,000) and approximately HK\$25,238,000 (31 March 2014: HK\$25,219,000) (note 21) are secured by the Group's bank deposits of approximately HK\$18,928,000 (31 March 2014: HK\$18,914,000) and the Group's deposits of approximately HK\$2,524,000 paid to a financial institute (31 March 2014: HK\$2,522,000) respectively. Interest rate of the pledged bank deposit is 3% per annum. The deposits held by the financial institute are interest-free. The Directors consider the fair value of the pledged deposits approximate to their carrying amount.

19. TRADE PAYABLES

The Group was granted by its suppliers oral credit periods ranging between 90 days to 3 years (31 March 2014: 90 days to 3 years). Based on the invoice dates, ageing analysis of trade payables is as follows:

	Unaudited As at 30 September 2014 HK\$'000	Audited As at 31 March 2014 HK\$'000
Within 90 days	7,074	1,531
91 to 180 days	2,074	—
181 to 365 days	663	—
Over 1 year	—	599
	<u>9,811</u>	<u>2,130</u>

The Directors consider that the carrying amount of trade payables is a reasonable approximation of their fair value.

20. OTHER PAYABLES, ACCRUALS, DEPOSITS RECEIVED AND RECEIPTS IN ADVANCE

	Unaudited As at 30 September 2014 <i>HK\$'000</i>	Audited As at 31 March 2014 <i>HK\$'000</i>
Current portion:		
Accruals	2,338	9,794
Deposits received	694	1,262
Other payables	37,116	33,997
Receipts in advance (<i>note</i>)	1,575	1,549
	<u>41,723</u>	<u>46,602</u>
Non-current portion:		
Receipts in advance (<i>note</i>)	<u>10,877</u>	<u>11,431</u>

The carrying amounts of accruals and other payables are short-term in nature and hence their carrying values are considered a reasonable approximation of their fair value.

Note: The balances represent ten-year management fees received in advance in respect of tombs and columbarium niches sold. Management fee receipts in advance are credited to revenue on straight-line method over a period of the contractual periods (which are generally ten years) from the date of the sale of tombs and columbarium niches.

21. BANK BORROWINGS

	Unaudited As at 30 September 2014 <i>HK\$'000</i>	Audited As at 31 March 2014 <i>HK\$'000</i>
Bank borrowings repayable within one year:		
– secured (<i>note (a)</i>)	18,928	18,914
– guaranteed (<i>note (b)</i>)	58,047	58,004
– secured and guaranteed (<i>note (c)</i>)	25,238	25,219
	<u>102,213</u>	<u>102,137</u>

Notes:

- (a) The balances are secured by the Group's pledged bank deposits of approximately HK\$18,928,000 (note 18) (31 March 2014: HK\$18,914,000,000).
- (b) The balances are guaranteed by certain directors of the Company and their family members, non-controlling interest holder of a subsidiary and an independent third party.
- (c) The balances are secured by the Group's pledged deposits of approximately HK\$2,524,000 (note 18) and guaranteed by certain directors of the Company and their family members, and a financial institute (31 March 2014: secured by the Group's pledged deposits of approximately HK\$2,522,000 and guaranteed by certain directors of the Company and their family members, and a financial institute).

All bank borrowings as at 30 September 2014 and 31 March 2014 are due within 12 months of the reporting date and are denominated in RMB.

22. PROMISSORY NOTES

On 7 January 2013, the Company issued the promissory notes ("PN") with principal amount of HK\$50,000,000 as part of the consideration for the Group's acquisition of the entire issued share capital of Jia Yuan Trading Limited, which through Hirise Corporation Limited, indirectly holds 47.38% equity interests in Zhejiang Anxian Yuan. The PN has a maturity of 36 months from the date of issue and bear simple interest at a rate of 2% per annum.

During the Period, no repayment was noted (year ended 31 March 2014: HK\$22,000,000). Movements of the PN during the Period are set out as follows:

	Unaudited Six months ended 30 September 2014 HK\$'000	Audited Year ended 31 March 2014 HK\$'000
At 1 April 2014/1 April 2013	12,074	30,144
Early repayment	–	(22,000)
Interest expenses	464	3,930
	<hr/>	<hr/>
At 30 September 2014/31 March 2014	12,538	12,074
	<hr/>	<hr/>

23. CONVERTIBLE NOTES

On 7 January 2013, the Company issued convertible notes ("CN") with a principal amount of HK\$330,000,000 as part of the consideration for the Group's acquisition of the entire issued share capital of Jia Yuan Trading Limited, which through Hirise Corporation Limited, indirectly holds 47.38% equity interests in Zhejiang Anxian Yuan.

On 7 January 2013, the CN were issued at the fair value of approximately HK\$147,560,000 and were recognised as convertible notes reserve in the consolidated statement of changes in equity of the Group. The reserve will be realised when the CN are converted or cancelled.

There was no conversion during the Period. On 23 April 2013 and 24 December 2013, part of the CN with an aggregate amount of HK\$85,000,000 and HK\$47,000,000 were converted at the conversion price of HK\$0.10 each into 850,000,000 and 470,000,000 Shares at HK\$0.10 each respectively (note 24(a)).

24. SHARE CAPITAL

	Unaudited Six months ended 30 September 2014		Audited Year ended 31 March 2014	
	Number of Shares (<i>'000</i>)	HK\$ <i>'000</i>	Number of Shares (<i>'000</i>)	HK\$ <i>'000</i>
Authorised:				
Shares of HK\$0.10 each				
At 30 September 2014 and 31 March 2014	10,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid:				
Shares of HK\$0.10 each				
At 1 April 2014/1 April 2013	4,440,623	444,062	3,120,623	312,062
Conversion of convertible notes (<i>note (a)</i>)	–	–	1,320,000	132,000
Placing of new Shares (<i>note (b)</i>)	320,000	32,000	–	–
At 30 September 2014 and 31 March 2014	4,760,623	476,062	4,440,623	444,062

Notes:

- (a) On 23 April 2013, part of the CN with an aggregate principal amount of HK\$85,000,000 (corresponding fair value of HK\$38,008,000) was converted at the conversion price of HK\$0.10 each into 850,000,000 Shares at HK\$0.10 each. An amount of HK\$46,992,000, representing the difference between the principal amount of the Shares and the corresponding fair value of the CN, was charged to share premium account.

On 24 December 2013, part of the CN with an aggregate principal amount of HK\$47,000,000 (corresponding fair value of HK\$21,016,000) was converted at the conversion price of HK\$0.10 each into 470,000,000 Shares at HK\$0.10 each. An amount of HK\$25,984,000, representing the difference between the principal amount of the Shares and the corresponding fair value of the CN, was charged to share premium account.

- (b) On 19 September 2014, the Company entered into a subscription agreement with a subscriber to issue 320,000,000 shares at HK\$0.17 per share. Of the net proceeds of approximately HK\$54,339,000, amounts of HK\$32,000,000 and approximately HK\$22,339,000 were credited to share capital and share premium accounts respectively. The placing was completed on 30 September 2014. Details are set out in the Company's announcements dated 19 September 2014 and 30 September 2014.

All new shares issued during the Period and the year ended 31 March 2014 rank pari passu with other shares in issue in all respect.

25. CAPITAL COMMITMENTS

	Unaudited As at 30 September 2014 <i>HK\$'000</i>	Audited As at 31 March 2014 <i>HK\$'000</i>
Contracted but not provided for:		
Potential investment in a PRC company	6,309	8,827
Proposed acquisition of land use rights	13,692	13,757
	20,001	22,584

26. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances with related parties disclosed elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions with related parties during the Period.

(a) Significant transactions with related parties

Details of the significant transactions with related parties are set out in note 28 to the condensed consolidated financial statement.

(b) Compensation of key management personnel

The Directors are of the opinion that the key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and are defined as the Executive Directors, Non-executive Directors and the Chief Executive Officer.

	Unaudited Six months ended 30 September 2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries and allowances of key management		
Salaries, allowances and benefit in kind	1,327	1,176
Contributions to defined contribution plans	72	8
	1,399	1,184

27. LITIGATION

No outstanding litigation as at 30 September 2014 was noted.

28. FINANCIAL GUARANTEE

At 30 September 2014, Zhejiang Anxian Yuan provided financial guarantee as a security for a bank facilities granted to (i) 浙江富安移民經濟開發有限公司 (「富安移民」), the non-controlling interests holder of Zhejiang Anxian Yuan and Mr. Shi Hua is the legal representative of 富安移民 with significant control, with the aggregate amount of RMB20,000,000 (equivalent to approximately HK\$25,238,000) and (ii) 杭州好樂天禮儀服務有限公司 (「好樂天」), a related company, established in the PRC with limited liability, of which Mr. Shi Hua is the common director with significant control, with the aggregate amount of RMB3,000,000 (equivalent to approximately HK\$3,786,000). No provision for the Group's obligation under these financial guarantee contracts has been made as the Directors consider the probability that a claim will be made against the Group under these financial guarantee contracts is remote.

29. EVENTS AFTER THE REPORTING DATE

On 5 November 2014, 中福園林設計(杭州)有限公司 (in English, Zhongfu Yuanlin Design (Hangzhou) Co. Ltd.), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement to acquire 100% equity interest in 好樂天, at a total consideration of RMB7,700,000 (equivalent to approximately HK\$9,772,000). Details are set out in the Company's announcement dated 5 November 2014. The transaction was completed before the date this announcement is approved for issue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group continued its focus on Cemetery Business in the PRC which the Directors believe has ample growth business opportunities. While the Group, through Zhejiang Anxian Yuan – a well-established subsidiary engaging Cemetery Business in Hangzhou, continues to construct burial sites for sale to its customers, the Group actively seeks for other business opportunities.

Our Hangzhou Operation Headquarter, responsible for the coordination of business development and management of cemeteries in the PRC, has been functioning for a few months. The Headquarter will continue to support the expansion of Cemetery Business and will help allocation of economic resources with a view to enhancing the Group's competitiveness in the PRC.

Our new investment arm, Shanghai Anxian Yuan, a company established in the China (Shanghai) Pilot Free Trade Zone under the laws of the PRC in November 2013, has set up several branch companies in various districts in the PRC and has commenced investments in several cemetery-related projects including 上海朗泰醫院後勤管理有限公司, 貴州盤縣安賢園藝術陵園有限責任公司 and 河北安賢園喪葬用品銷售有限公司, details of which are set out in the Company's announcements dated 3 March 2014, 15 May 2014, and 8 August 2014 respectively. To support the Group's development in O2O business, Shanghai Anxian Yuan also invests in 杭州安白事電子商務有限公司, a limited company established in the PRC. As at the date this report is approved for issue, the Group holds 35% equity interests, directly and indirectly, in this company.

BUSINESS OUTLOOK

As the population of the PRC continues to age and per capita income to increase, the Board holds its view that there is an upward trend in the demand for cemetery services. To capture this business opportunity, it is our plan to maintain our position as the largest cultural and arts cemetery in Zhejiang and a leading professional cemetery investment and management group in China, to expand our business through generic growth and acquisition, and to inaugurate a trial funeral business operation O2O business model in Hangzhou, Zhejiang and Shanghai through investment and collaboration.

FINANCIAL REVIEW

For the Period, the Group recorded net profit of approximately HK\$5,748,000 (2013: approximately HK\$893,000) on turnover of approximately HK\$46,715,000 (2013: approximately HK\$31,747,000). The improvement in the results of the Group was mainly attributable to higher sale of burial sites.

The turnover for the Period was derived from Cemetery Business. During the Period, Anxian Yuan sold 592 burial sites (2013: 444 burial sites). No columbarium niche sale was noted for the Period and for the year-ago period.

The net assets of the Group as at 30 September 2014 was approximately HK\$516,391,000 (31 March 2014: approximately HK\$455,902,000).

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the net cash inflow was approximately HK\$48,749,000 (2013: net cash outflow of approximately HK\$5,033,000). As at 30 September 2014, the cash and cash equivalents of the Group were approximately HK\$59,599,000 (31 March 2014: approximately HK\$10,703,000). The Group had bank borrowings of approximately HK\$102,213,000 as at 30 September 2014 (31 March 2014: approximately HK\$102,137,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the Period, the Group's business was mainly denominated in RMB. The PRC subsidiaries of the Group were operated in the PRC. All transactions, assets and liabilities of the PRC subsidiaries were denominated in RMB and were translated into HK\$ at period end date as foreign operations. No foreign currency hedge was made during the Period.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2014, the Group had 10 employees (including Directors) in Hong Kong (31 March 2014: 11 employees) and 14 employees in the PRC (31 March 2014: nil employees). The Group regularly reviews remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary and mandatory provident fund, employees are entitled to other benefits such as share option scheme, of which the Directors may, at their discretion, grant options to employees of the Group. The remuneration policies of the Groups employees are subject to review regularly.

The Group has a share option scheme available for Directors and employees of the Company or any of its subsidiaries.

Total staff costs (including Directors) for the Period amounted to approximately HK\$2,575,000 (2013: approximately HK\$1,929,000), of which contribution to mandatory provident fund accounted for approximately HK\$96,000 (2013: approximately HK\$33,000). No share options were granted during the six months ended 30 September 2014 and 2013.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SUBSCRIPTION OF NEW SHARES

On 19 September 2014, the Company entered into a conditional subscription agreement (the “Subscription Agreement”) with Taiping Trustees Limited – Taiping Bacui China Investment Fund, an investment fund established in Hong Kong (the “Subscriber”), pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to issue 320,000,000 new shares at a price of HK\$0.17 per subscription share (the “Subscription”).

The completion of the Subscription took place on 30 September 2014, where a total of 320,000,000 subscription shares have been successfully subscribed by the Subscriber at the subscription price of HK\$0.17 per subscription share. The gross proceeds and net proceeds from the Subscription are approximately HK\$54,400,000 and HK\$54,339,000 respectively. For details, please refer to the Company’s announcements dated 19 and 30 September 2014 respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

Throughout the Period, the Company has complied with the Code in so far as they are applicable except for the deviation from Code A6.7 regarding attendance of general meetings of the Company.

Due to business commitment, Mr. Wang Hongie, a Non-executive Director, was unable to attend the annual general meeting of the Company held on 22 September 2014.

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2014.

PUBLICATION OF INTERIM RESULTS

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.anxianyuanchina.com. The interim report of the Company for the six months ended 30 September 2014 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

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

Hong Kong, 27 November 2014

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

GLOSSARY

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

Board	the board of Directors
Cemetery Business	an operating segment of the Group which is engaged in the provision of cemetery services
Chairman	the chairman of the Board
Chief Executive Officer	the chief executive officer of the Company
Company/Anxian Yuan China Holdings	Anxian Yuan China Holdings Limited, a company incorporated in the Bermuda with limited liability and the issued Shares are listed on the Stock Exchange
Director(s)	the director(s) of the Company
Executive Director(s)	the executive Director(s) of the Company
Group	the Company and its subsidiaries
HKAS	the Hong Kong Accounting Standards issued by HKICPA
HKFRS(s)	the Hong Kong Financial Reporting Standards, collectively includes all applicable individual Hong Kong Financial Reporting Standards, HKAS and Interpretations issued by HKICPA
HKICPA	the Hong Kong Institute of Certified Public Accountants
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Non-executive Director(s)	the non-executive Director(s) of the Company
Period	The six months ended 30 September 2014

PRC	the People's Republic of China, which for the purpose of this announcement exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai Anxian Yuan	安賢園(上海)陵園投資管理有限公司 (in English, for identification purpose only, Anxian Yuan (Shanghai) Cemeteries Investment Management Company Limited), a limited liability company established in the China (Shanghai) Pilot Free Trade Zone under the laws of the PRC
Share(s)	the ordinary share(s) of HK\$0.1 each in the share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
Share Option Scheme	the share option scheme adopted by the Company on 18 July 2008
Stock Exchange	the Stock Exchange of Hong Kong Limited
Sino Grandeur	Sino Grandeur Limited, a limited liability company established under the laws of the British Virgin Islands
Zhejiang Anxian Yuan	浙江安賢陵園有限責任公司 (in English, for identification purpose only, Zhejiang Anxian Yuan Company Limited), a limited liability company established under the laws of the PRC
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of PRC
US\$	United States dollars, the lawful currency of USA
%	per cent