



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)



ANNUAL REPORT 2015

www.anxianyuanchina.com

* For Identification Purposes Only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shi Hua (*Chairman*)
Mr. Shi Jun (*Chief Executive Officer*)
Mr. Law Fei Shing (*Deputy Chief Executive Officer*)
Ms. Shen Mingzhen (*Deputy Chief Executive Officer*)
Mr. Cheng Gang (*Deputy Chief Executive Officer*)

Non-executive Director

Mr. Wang Hongjie

Independent Non-executive Directors

Mr. Chan Koon Yung
Mr. Lai Chun Yu
Mr. Li Xigang

COMPANY SECRETARY

Mr. Law Fei Shing

AUDIT COMMITTEE

Mr. Chan Koon Yung (*Committee Chairman*)
Mr. Lai Chun Yu
Mr. Li Xigang

REMUNERATION COMMITTEE

Mr. Chan Koon Yung (*Committee Chairman*)
Mr. Lai Chun Yu
Mr. Li Xigang

NOMINATION COMMITTEE

Mr. Shi Hua (*Committee Chairman*)
Mr. Chan Koon Yung
Mr. Lai Chun Yu
Mr. Li Xigang

AUTHORISED REPRESENTATIVES

Mr. Shi Hua
Mr. Law Fei Shing

AUDITOR

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9th Floor, Cheuk Nang Plaza
250 Hennessy Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

SHARE INFORMATION

Stock code: 00922
Board lot: 20,000 shares
Web site: www.anxianyuanchina.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Anxian Yuan China Holdings Limited, I hereby present the results and report of the Group for the financial year ended 31 March 2015.

In the Year, under the stable platform advantage built over a long period of time, the Group proactively intensified the development of the existing markets, continued to explore new industry sectors simultaneously, and monitored the national layout to achieve satisfactory development in every respect.

After achieving a turnaround in profitability in last financial year, the profits of the Group recorded a significant growth year-on-year during the Year with optimistic prospects. Moreover, in the Year, Shanghai Anxian Yuan, a wholly owned subsidiary of the Group in the China (Shanghai) Pilot Free Trade Zone, had already established branch companies in Beijing and Guizhou respectively and carried out its strategic deployment in every aspects. Of which, the branch company in Beijing is principally engaged in the development of cemetery business in Beijing and Hebei regions, including the development and sales of funeral products, funeral etiquette services, cemetery agency sales etc. Under the massive background of integrating Beijing, Tianjin and Hebei, the future hospital, nursing homes and educational institutions in Beijing with a population of approximately 5 million will be relocated to regions like Baoding in Hebei Province. The 13 counties in Hebei surrounding Beijing are expected to use "010" as the area code, and the projects of the branch company in Beijing will cover these regions fully. The branch company in Guizhou is actively developing the projects of Guizhou Pan County Anxian Yuan Cemetery ("Guizhou Cemetery"). The overall design of this project is a funeral comprehensive service integrating the cemetery and funeral parlour. According to the current government planning, after completion, it will become the only legal operating cemetery and funeral (cremation) service enterprise in Pan County. Furthermore, 河北安賢園喪葬用品銷售有限公司 (in English, for identification purpose only, Hebei Anxian Yuan Funeral Product Supply Company Limited), a subsidiary of the Group, will develop and construct a public cemetery, named "Anxian Yuan Fushan Cemetery" ("Fushan Cemetery"), at Laishui county in Hebei Province to undertake the cemetery management and derivative services.

During the Year, Shanghai Anxian Yuan, a wholly owned subsidiary of the Group and 上海朗泰醫院後勤管理有限公司 (in English, for identification purpose only, Shanghai Liontown Hospital Supportive Management Service Company Limited, the "Liontown") are actively developing the strategic plan pursuant to the agreed strategic cooperation agreement, and forcefully increased the synergy effect of the Group in its funeral products and cemetery business in the Jiangsu and Zhejiang regions. During the Year, 中福園林設計(杭州)有限公司 (in English, for identification purposes only, China Boon Landscape Design (Hangzhou) Company Limited), an indirect wholly-owned subsidiary of the Company, acquired the 100% equity interest of 杭州好樂天禮儀服務有限公司 (in English, for identification purposes only, Hangzhou Haoletian Etiquette Services Company Limited ("Haoletian")). The latter mainly provides funeral services and sales of funeral products in Hangzhou regions and is also the only ceremonial and memorial parlour in Hangzhou regions which has obtained government approval to conduct funeral services besides funeral homes. Haoletian will bring a good platform to expand the business scope in funeral service industry for the Group, and thus further lay a solid foundation for the Group's one-stop funeral services in Hangzhou regions. According to the strategic planning and objective of the Company, through its wholly-owned subsidiary in the China (Shanghai) Pilot Free Trade Zone, the Group will continue to establish its layout in those large and medium-sized cities that have good market prospects and abundant funeral investment projects and service resources, and perform strategic cooperation with governments, nursing homes and insurance & medical institutions in those cities. While supporting local funeral culture reform, it will indoctrinate the advanced & outstanding management experience and industry concepts of Anxian Yuan. For further co-ordinating the business development and management of domestic cemeteries and expand its core business, the Group established an operation headquarter for Mainland China projects ("Operation Headquarter") about one year ago, and actively invested in operation, effectively and fully seized the advantages of the Group's capital funding and resources, enhanced domestic competitiveness, and procured "Anxian Yuan" to become the leading brand in the domestic funeral sector.

CHAIRMAN'S STATEMENT

In the Year, by virtue of the Group's profound knowledge and experience in cemetery services sector and adhering to its advanced industry concepts, through its subsidiary, the Group invested and established 杭州安白事電子商務有限公司 (in English, for identification purpose only, Hangzhou Anbaishi E-Commerce Company Limited ("Anbaishi")), an O2O E-commerce company. In light of the recent open-door policies adopted by the Chinese government, the Group launched the three main funeral service brands, "彼岸天堂" (in English, for identification purpose only, "Paratown"), "彼岸商城" (in English, for identification purpose only, "Paramall") and "彼岸天使" (in English, for identification purpose only, "Paratangel"), and took the lead to provide on-line and off-line personalized customization services in the China (Shanghai) Pilot Free Trade Zone, the center city of Mainland China. Not only will it provide funeral planning, it will also offer online memorial and tomb-sweeping services, online funeral products, cemetery order and online real-visit business. This project will benefit the further promotion and development of funeral business in the Yangtze River Delta Region of Mainland China, achieve the long term development of the Group's business strategies, and strive to become the leader in upgrading and development of the funeral services industry in the PRC, writing a new chapter for the funeral services industry in the PRC.

According to the China Report of the Development on Aging Cause (2013) issued by the Chinese Academy of Social Sciences, China's aging rate had already reached 14.8% in 2013. The report from Euromonitor International, an investigation and research company in Britain, also forecasts that the population of age over 65 in China will increase by more than 5% per year, and by 2025, the aging population will increase by 1 million per year. Under the massive background of China's good economic development trend, people's consumption standard has also increased. Apart from the basic necessities in life, people also look for quality services in the funeral and worship segments, making the funeral service industry also becomes one of fast growing industries in China. Euromonitor International forecasts that the funeral service industry in China will increase by an annual compound growth rate of 17% from 2013 to 2017, with the market size estimates to reach RMB99.3 billion in 2017.

"Filial piety is the beginning of rites." In China, funeral culture is one of the main constituents of filial piety. As the leader of the funeral industry in China, Anxian Yuan emphasizes the promotion of Chinese culture as its own responsibility, builds up its brand image through culture, and explores continuously new channels of experience development from the funeral's cultural perspective. The Group, also together with all of its employees, continued to humbly learn, develop and innovate, and implement works details on a people-oriented basis. By providing top quality services wholeheartedly, it has established the humanistic image of complementing funeral art with its enterprise culture. In the Year, the Group conducted all-round strategic adjustments from management structure of the Group to the strategic layout of its overall business, and fully prepared for the opportunities and challenges coming ahead.

The Company is a listed company on the Main Board of The Hong Kong Stock Exchange, the first that undertakes fully the funeral business in Mainland China as at principal business. It is also a pioneer engaging principally in the cultural and arts cemetery with the provision of quality funeral services in China. In the new financial year and representing the management of the Company, I will continue to lead all staff to keep on developing and be innovative, actively exposing enterprise spirit and energy, continuing to adhere to established management experience, keen industry insight and advanced innovation spirit that grows together with time, and leading the funeral industry in China into a new era; continuing to promote its own all-round development, opening up the unique business model and service system, establishing a new benchmark in funeral ideas for the Chinese, reciprocating the society, customers and investors with our sincerity and heart, achieving the best results to repay shareholders and investors.

Shi Hua
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

CEMETERY INDUSTRY IN THE PRC

According to the China Statistical Yearbook 2011, the nominal Gross Domestic Product (“GDP”) of the PRC increased from approximately RMB9,921.4 billion in 2000 to approximately RMB40,120.2 billion in 2010 with a compound average growth rate (“CAGR”) of approximately 15.0%. The population of the PRC increased from approximately 1.27 billion in 2000 to approximately 1.34 billion in 2010, representing an increase of CAGR of approximately 0.54%. The population over the age of 65 in the PRC was approximately 6.96% and 8.87% and the mortality rate 0.645% and 0.711% of the total population of the PRC for 2000 and 2010 respectively.

The China Report of the Development on Aging Cause (2013) issued by the Chinese Academy of Social Sciences indicates that the China’s aging rate had already reached 14.8% in 2013. The report from Euromonitor International, an investigation and research company in Britain, also forecasts that the population of age over 65 in China will increase by more than 5% per year, and by 2025, the aging population will increase by 1 million per year, and that the funeral service industry in China will increase by an annual compound growth rate of 17% from 2013 to 2017, with the market size estimates to reach RMB99.3 billion in 2017.

The Director considered funeral services have been a very important component in Chinese social and religious systems. It has been a long tradition in the PRC to hold public decorum and show respect to the deceased. The Directors believe there is potential growth on the development of cemetery business due to growing trend of aged population and economic improvement in the PRC.

BUSINESS REVIEW

During the Year, 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 Operation Headquarter in Hangzhou, the PRC, responsible for the coordination of business development and management of cemeteries in the PRC, has been functioning since March 2014. 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 Liantown, Guizhou Cemetery and Fushan Cemetery, 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 Anbaishi, a limited company established in the PRC. As at the reporting date, the Group holds 35% equity interests in this company.

MANAGEMENT DISCUSSION AND ANALYSIS

On 5 November 2014, 中福園林設計(杭州)有限公司 (in English, for identification purpose only, China Boon Landscape 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 Haoletian, a company established in the PRC with limited liability, at a total consideration of RMB7,700,000 (equivalent to approximately HK\$9,796,000). Haoletian is principally engaged in the provision of funeral services and the sale of funeral goods. The Board considers that the acquisition can provide an opportunity for the Group to broaden its scope of business in the funeral service industry. Details are set out in the Company's announcement dated 5 November 2014.

BUSINESS OUTLOOK

The issues of birth, old age, sickness and death are entwining human beings eternally. With the growing trend of China's aged population and economic growth, the funeral business, a high-spending specialty industry, is experiencing a long-term growing business opportunity.

In the Year, the Group conducted all-round strategic adjustments from management structure of the Group to the strategic layout of its overall business, and fully prepared for the opportunities and challenges coming ahead.

FINANCIAL REVIEW

For the Year, the Group recorded net profit of approximately HK\$38.1 million (2014: approximately HK\$6.0 million) on turnover of approximately HK\$97.4 million (2014: approximately HK\$157.3 million). During the Year, Zhejiang Anxian Yuan sold 1,183 tombs (2014: 1,125 tombs), No columbarium niches were sold in the Year (2014: 31,000 niches). Improvement in the results of the Group was mainly attributable to reversal of business tax over accrued in previous years in the amount of HK\$32.8 million.

Net assets of the Group as at 31 March 2015 was approximately HK\$552 million (2014: approximately HK\$451 million (restated)). During the Year, the Group raised approximately HK\$54.3 million by placing shares (2014: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the net cash inflow was approximately HK\$70.8 million (2014: net cash outflow approximately HK\$5.6 million). As at 31 March 2015, the cash and cash equivalents of the Group was approximately HK\$81.5 million (2014: approximately HK\$10.7 million). The Group had bank borrowings of approximately HK\$116.7 million as at 31 March 2015 (2014: approximately HK\$102.1 million).

GEARING RATIO

The gearing ratio (total liabilities/total assets) at the end of the Year was 0.35 (2014: 0.41).

CHARGES ON ASSETS

As at 31 March 2015, the Group's bank borrowings of approximately HK\$18.9 million and approximately HK\$78.9 million were secured by pledging of the Group's bank deposits of approximately HK\$18.9 million and the Group's deposits of approximately HK\$1.1 million paid to a financial institute respectively. Details are set out in note 26 and note 30 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

LITIGATION

No outstanding litigation of the Group as at 31 March 2015 was noted.

FINANCIAL GUARANTEE

Details of the financial guarantee of the Group are set out in note 46 to the financial statements.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the Year, the Group's business were mainly denominated in RMB and the fund raising activities were denominated in HK\$. 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 year end date as foreign operations. No foreign currency hedge was made during the Year.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2015, the Group had 14 employees (including Directors) (2014: 11 employees) and 155 employees (2014: nil) in Hong Kong and the PRC respectively. 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 Group's 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 Year amounted to approximately HK\$11.2 million (2014: approximately HK\$4.0 million), of which contribution to mandatory provident fund was HK\$160,000 (2014: approximately HK\$65,000). No share options were granted during the Year (2014: nil). Details are set out in note 36 to the financial statements.

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.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 5 November 2014, 中福園林設計(杭州)有限公司 (in English, China Boon Landscape 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 Haoletian at a total consideration of RMB7,700,000 (equivalent to approximately HK\$9,796,000). Further details are set out under "Business Review" above and in note 37 to the financial statements.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies during the Year.

MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Shi Hua, aged 63, was appointed as an Executive Director on 20 June 2011. He was also the Chairman and the Chief Executive Officer as from 15 December 2011. On 23 January 2014, he resigned as the Chief Executive Officer.

Mr. 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. 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. 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. 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 its operational management and investment decisions.

In 1999, Mr. 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. Shi Hua is a father of Mr. Shi Jun, an Executive Director and the Chief Executive Officer of the Company. The interest in Shares of Mr. Shi Hua has been disclosed under the heading “Directors’ Interests in Shares, Underlying Shares & Debentures” of the Directors’ Report.

Mr. Shi Jun, aged 33, was appointed as an Executive Director and Chief Executive Officer on 15 December 2011 and 23 January 2014 respectively.

From 2003 to 2005, Mr. Shi Jun 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. Shi Jun worked for 杭州好樂天禮儀服務有限公司 (Hangzhou Hao Le Tian Li Yi Fu Wu Company Limited*) as a deputy general manager responsible for the company’s overall business.

In 2007, Mr. Shi Jun worked for Zhejiang Anxian Yuan (a subsidiary of the Company since 19 November 2010) as an assistant general manager responsible for the company’s human resources and general business plan. He has been the general manager of Zhejiang Anxian Yuan since 2008, responsible for the company’s overall daily operations. He is currently a director of Zhejiang Anxian Yuan.

Mr. Shi Jun is a son of Mr. Shi Hua, an Executive Director and the Chairman of the Company. The interest in Shares of Mr. Shi Jun has been disclosed under the heading “Directors’ Interests in Shares, Underlying Shares & Debentures” of the Directors’ Report.

Mr. Law Fei Shing, aged 55, was appointed as an Independent Non-executive Director on 4 June 2009 and was re-designated to Executive Director on 10 June 2009. He was 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 25 years of experience in the audit and accounting services.

MANAGEMENT PROFILE

Currently, Mr. Law is an executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355); and a non-executive director of Beautiful China Holdings Company Limited (stock code: 706) and Pak Tak International Limited (stock code: 2668), those shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a company secretary of Orient Securities International Holdings Limited (stock code: 8001), the shares of which are listed on the GEM Board of the Stock Exchange.

Mr. Law was an executive director (from August 2004 to December 2011), the company secretary (from August 2004 to May 2011) and the chief executive officer (from November 2007 to December 2011) of Energy International Investments Holdings Limited (stock code: 353), the shares of which are listed on the Main Board of the Stock Exchange. He was also an executive director (from January 2009 to May 2013) and the company secretary (from January 2009 to January 2013) of Bestway International Holdings Limited (stock code: 718), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Law resigned as company secretary and re-designated from executive director to non-executive director of Pak Tak International Limited (stock code: 2668) on 16 December 2014.

The interest in Shares of Mr. Law has been disclosed under the heading "Directors' Interests in Shares, Underlying Shares & Debentures" of the Directors' Report.

Ms. Shen Mingzhen, aged 61, was appointed as an Executive Director and Deputy Chief Executive Officer on 15 December 2011 and 23 January 2014 respectively.

Ms. Shen worked for 杭州市余杭區二輕局 (Second Light Industry Bureau of Yu Hang District of Hangzhou*) from 1976 to 1985, and was responsible for consistently implementing the labour and human resources management structure for second light industry required by national standard.

During 1986 to 1988, Ms. Shen was involved in the establishment of a sino-foreign joint venture, 杭州大廈 (Hangzhou Tower*).

During 1989 to 1995, Ms. Shen worked for 杭州拱墅區審計局 (Gongshu Branch of Hangzhou Audit Bureau*) as head of audit department, responsible for such daily operation as audit review of financial accounting of enterprises and consultation.

During 1996 to 1998, Ms. Shen worked for 浙江信遠律師事務所 (Zhejiang Xin Yuan Lawyer*) and was responsible for the daily works such as finance, accounting and consultation.

Since 1999, Ms. Shen has been working for 浙江富安移民經濟開發有限公司 (Zhejiang Fu An Immigration Economic Development Company Limited*) as its deputy general manager, responsible for the financial management of that company and its subsidiaries.

She is currently a director and the chief financial officer of Zhejiang Anxian Yuan, a subsidiary of the Company since 19 November 2010.

The interest in Shares of Ms. Shen has been disclosed under the heading "Directors' Interests in Shares, Underlying Shares & Debentures" of the Directors' Report.

Mr. Cheng Gang, aged 52, was appointed as a Non-Executive Director on 3 July 2014 and was re-designated to Executive Director and appointed as Deputy Chief Executive Officer on 25 March 2015.

MANAGEMENT PROFILE

Mr. Cheng got bachelor in engineering from Shanghai Jiao Tong University, China, in 1983, and master's degree in business administration from Asian Institute of Technology, Thailand in 1994. Mr. Cheng has 10 years working experience in mechanical manufacturing and 20 years in financial industry respectively. During his growth through junior, middle and senior positions in both foreign and Chinese financial service providers such as Citi Bank, ABN-AMRO Bank, HSBC Banking Corporation, Guosen Securities Co., Ltd., and CCBI International Co., Ltd. Mr. Cheng has accumulated rich experience and network in such fields as corporate strategy, debt and equity financing, merger and acquisition.

Mr. Cheng had no interest in Shares as at 31 March 2015.

NON-EXECUTIVE DIRECTOR

Mr. Wang Hongjie, aged 61, 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 president of Shanghai Funeral and Interment Trade Association, and vice president of China Funeral Association. and also the director of its Funeral Committee. Mr. Wang joined in 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. He held the positions of the chairman of Shanghai Binhai Guyuan (上海濱海古園) and vice chairman of Shanghai Huilongyuan (上海匯龍園) for a long period of time. He was also the director of the Local Coordination Committees of China Funeral Association in 2007. He has over ten years of expensive experience in the funeral business in Mainland China and is quite familiar with the Mainland China funeral market. Mr. Wang also held the positions of chairman of the labour union of Shanghai Lowvoltage Electrical Appliances No. 4 Factory (上海低壓電器四廠), the factory director and secretary of Shanghai Xinjian Printing Factory (上海新建印刷廠), the factory director of Shanghai Xiangyang Switch Factory (上海向陽開關廠), deputy general manager of Shanghai City Civil Affair Industrial Corporation (上海市民政工業總公司) and 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), deputy general manager of Shanghai Civil Affair (Group) Co., Ltd., and chairman and general manager of Shanghai Sanzhi Auto Parts Industrial Co., Ltd. (上海三智汽配實業有限公司).

Mr. Wang had no interest in Shares as at 31 March 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Koon Yung, aged 57, was appointed as an Independent Non-Executive Director on 24 June 2014.

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 associated 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. Chan had no interest in Shares as at 31 March 2015.

MANAGEMENT PROFILE

Mr. Lai Chun Yu, aged 38, was appointed as an Independent Non-Executive Director on 15 October 2014.

Mr. Lai is a member of CPA Australia since 2002 and a member of Hong Kong Institute of Certified Public Accountants since 2004. He holds a bachelor's degree in business of Queensland University of Technology and has over 14 years of experience in accounting, auditing and financial management. Mr. Lai was the qualified accountant and company secretary of a PRC-based computer-aided software solution provider. In addition, he was the financial controller of Qin Jia Yuan Media Services Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and had worked for one of the big four international accounting firms. Currently, Mr. Lai is an executive director and Company Secretary of Amber Energy Limited (stock code: 90), whose shares are listed on the Main Board of the Stock Exchange.

Mr. Lai had no interest in Shares as at 31 March 2015.

Mr. Li Xigang, aged 52, was appointed as an Independent Non-Executive Director on 15 October 2014.

Mr. Li holds a master's degree in management engineering from Zhejiang University and a bachelor's degree from Xi'an Jiaotong University. Mr. Li joined 杭州製氧機研究所 (Hangzhou Oxygenerator Research Institute*) in 1984 and was engaged in design works. Thereafter, he worked for 浙江省工商信託投資股份有限公司 (Zhejiang Province Industrial and Commercial Trust Investment Co., Ltd.*), 天和證券有限公司 (Tianhe Securities Co., Ltd.*), Xizi United Holding Corporation and Baida Group Co., Ltd. Currently, he works as the Executive President in 隆德資產管理有限公司 (Longde Assets Management Co., Ltd.*). Mr. Li has over 20 years of financial institution industry experience in trust, securities and banking, and is very experienced and has comprehensive network in China's domestic capital markets in acquisitions, mergers and amalgamations.

Mr. Li had no interest in Shares as at 31 March 2015.

SENIOR MANAGEMENT

Mr. Leung Woon Che, aged 61, joined the Company in June 2009 and is the Financial Controller of the Company. Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Leung holds a bachelor degree in Business Administration from the Chinese University of Hong Kong. He has had over 30 years experience in accounting, finance and auditing including senior positions in a multinational corporation and listed companies.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 18 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the Year are set out under the consolidated statement of profit or loss and other comprehensive income on pages 33 and 34.

The directors do not recommend the payment of any dividend for the Year (2014: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the section headed "Five Year Summary" on page 21 of this annual report. The summary does not form part of the audited consolidated financial statements.

CONVERTIBLE NOTES AND SHARE CAPITAL

Details of movements in convertible notes and share capital for the Year are set out in notes 33 and 34 to the financial statements respectively.

RESERVES

Details of movements in the Company and the Group during the Year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity on page 37 respectively.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 March 2015, there was no reserve available to the Company for distribution (2014: Nil).

DONATIONS

No donation was noted during the Year (2014: HK\$73,100).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company during the Year are set out in note 15 to the financial statements.

LITIGATION

The Group had no outstanding litigation as at 31 March 2015 (2014: Nil).

BORROWINGS AND PROMISSORY NOTES

Details of borrowings and promissory notes of the Group as at 31 March 2015 are set out in notes 30 and 32 to the financial statements respectively.

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date are set out in note 47 to the financial statements.

DIRECTORS

Directors who held office during the Year and up to the date of this report were:

Executive Directors

Mr. Shi Hua (*Chairman*)

Mr. Shi Jun (*Chief Executive Officer*)

Mr. Law Fei Shing (*Deputy Chief Executive Officer*)

Ms. Shen Mingzhen (*Deputy Chief Executive Officer*)

Mr. Cheng Gang (*Deputy Chief Executive Officer*)

(Appointed as Non-executive Director on 3 July 2014 and re-designated as Executive Director on 25 March 2015)

Non-executive Director

Mr. Wang Hongjie

Independent Non-executive Directors

Mr. Chan Koon Yung

(Appointed on 24 June 2014)

Mr. Lai Chun Yu

(Appointed on 15 October 2014)

Mr. Li Xigang

(Appointed on 15 October 2014)

Ms. Tang Yan

(Resigned on 1 September 2014)

Mr. Fu Xiao Dong

(Resigned on 1 September 2014)

The terms of office of each Director are subject to retirement by rotation in accordance with the Bye-laws.

In accordance with Bye-laws No. 83(2) and 84, Mr. Shi Hua, Mr. Law Fei Shing, Mr. Cheng Gang, Mr. Lai Chun Yu and Mr. Li Xigang will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Mr. Shi Hua, Mr. Law Fei Shing, Mr. Wang Hongjie, Mr. Chan Koon Yung and Mr. Cheng Gang have entered into a service contract with the Company for a period of one year from 20 June 2011, 10 June 2009, 23 January 2014, 24 June 2014, 25 March 2015 respectively and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

Each of Ms. Shen Mingzhen and Mr. Shi Jun has entered into a service contract with the Company for a period of one year from 15 December 2011 and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

Each of Mr. Lai Chun Yu and Mr. Li Xigang has entered into a service contract with the Company for a period of one year from 15 October 2014 and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

DIRECTORS' REPORT

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Company which is not determinable by the Company within one year without the payment of compensation other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 8 to 11 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the annual report, if any, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the Year.

EMOLUMENT POLICY

The remuneration committee was established for reviewing and determining the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under a share option scheme. The Company has conditionally adopted a share option scheme. The details of the share option scheme are set out in the paragraph headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, senior management and five individuals with highest emoluments are set out in notes 9 and 10 to the consolidated financial statements respectively.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2015, the interests and short positions of the Directors and the chief executives of the Company (the "Chief Executives") 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 had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be entered in the register referred to therein pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Position in ordinary shares of HK\$0.01 each and underlying shares

Name of Director	Nature of interest/Capacity	Number of Shares held	Number of Underlying Shares held	Share option	Aggregate interest	Approximate percentage of shareholding (Note 2)	Notes
Mr. Shi Hua	Beneficial Owner	221,780,000	–	–	221,780,000	4.19%	1
	Interest of controlled corporation	1,150,000,000	1,150,000,000	–	2,300,000,000	43.46%	
Mr. Law Fei Shing	Beneficial Owner	20,000,000	–	27,000,000	47,000,000	0.89%	
Ms. Shen Mingzhen	Beneficial Owner	122,000,000	–	–	122,000,000	2.31%	
Mr. Shi Jun	Beneficial Owner	122,000,000	–	–	122,000,000	2.31%	

Notes:

- 1,150,000,000 underlying shares represent the Shares which might be allotted and issued to Master Point Overseas Limited upon the exercise in full of the conversion right attached to convertible notes. Master Point Overseas Limited 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. Shi Hua. Mr. Shi Hua therefore deemed to be interested in 1,150,000,000 underlying shares held by Master Point Overseas Limited.
- The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 March 2015 which was 5,291,622,600.

Save as disclosed above, as at 31 March 2015, none of the Directors or the Chief Executives had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2015, according to the register kept by the Company under Section 336 of the SFO, the following Shareholders, other than a Director or Chief Executive Officer, had an interest or short position in the Company's shares and 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 who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long positions in the ordinary Shares:

Name of Shareholder	Nature of interest/Capacity	Number of Shares held	Number of Underlying Shares held	Aggregate interest	Approximate percentage of shareholding (Note 4)	Notes
Master Point Overseas Limited	Beneficial Owner	1,150,000,000	1,150,000,000	2,300,000,000	43.46%	1
Ample Fortunate Limited	Beneficial Owner	150,000,000	380,000,000	530,000,000	10.02%	2
Mr. Yu Xiaogou	Interest of controlled corporation	150,000,000	380,000,000	530,000,000	10.02%	2
	Beneficial Owner	100,000,000	–	100,000,000	1.89%	
Taiping Trustees Limited	Trustee	320,000,000	–	320,000,000	6.05%	3
Taiping Assets Management (HK) Company Limited	Investment Manager	320,000,000	–	320,000,000	6.05%	3
China Taiping Insurance Holdings Company Limited	Interest of controlled corporation	320,000,000	–	320,000,000	6.05%	3
Ever Ability Investment Limited	Beneficiary of a trust	320,000,000	–	320,000,000	6.05%	3
Mr. Lu Guofu	Interest of controlled corporation	320,000,000	–	320,000,000	6.05%	3
	Beneficial Owner	80,000,000	–	80,000,000	1.51%	
Mr. Han Min	Beneficiary of a trust	320,000,000	–	320,000,000	6.05%	3
Mr. He Yongwei	Beneficiary of a trust	320,000,000	–	320,000,000	6.05%	3
Ms. Wang Guozhen	Beneficiary of a trust	320,000,000	–	320,000,000	6.05%	3
Mr. Zhang Shenghua	Beneficiary of a trust	320,000,000	–	320,000,000	6.05%	3
Mr. Sun Xingrong	Beneficiary of a trust	320,000,000	–	320,000,000	6.05%	3
Mr. Feng Shouzheng	Beneficiary of a trust	320,000,000	–	320,000,000	6.05%	3

Notes:

- 1,150,000,000 underlying shares represent the Shares which might be allotted and issued to Master Point Overseas Limited upon the exercise in full of the conversion right attached to convertible notes. The interests of Master Point Overseas Limited were also disclosed as the interests of Mr. Shi Hua, the beneficial owner of Master Point Overseas Limited, in the above section headed "Directors' Interests in Shares, Underlying Shares & Debentures".
- 380,000,000 underlying shares represent the Shares which might be allotted and issued to Ample Fortunate Limited upon the exercise in full of the conversion right attached to convertible notes. Ample Fortunate Limited 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. Yu Xiaogou. Mr. Yu Xiaogou therefore deemed to be interested in 380,000,000 underlying shares held by Ample Fortunate Limited.

DIRECTORS' REPORT

- 320,000,000 Shares are held by Taiping Trustees Limited – Taiping Bacui China Investment Fund (an investment fund established in Hong Kong), the trustee of which is Taiping Trustees Limited and the manager is Taiping Assets Management (HK) Company Limited, companies ultimately controlled by China Taiping Insurance Group Limited, a PRC state-owned financial and insurance group.

Ever Ability Investment Limited (the entire issued share capital of which is legally and beneficially owned by Mr. Lu Guofu), Mr. Han Min, Mr. He Yongwei, Ms. Wang Guozhen, Mr. Zhang Shenghua, Mr. Sun Xingrong and Mr. Feng Shouzheng are the beneficiary of trust.

Therefore, each of Taiping Trustees Limited, Taiping Assets Management (HK) Company Limited, China Taiping Insurance Holdings Company Limited, Ever Ability Investment Limited, Mr. Lu Guofu, Mr. Han Min, Mr. He Yongwei, Ms. Wang Guozhen, Mr. Zhang Shenghua, Mr. Sun Xingrong and Mr. Feng Shouzheng is also deemed to be interested in the 320,000,000 Shares under the SFO.

- The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 March 2015 which was 5,291,622,600.

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.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there was no other person who had interest or short position in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" and "SHARE OPTION SCHEME" in this report, at no time during the year ended 31 March 2015 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the year ended 31 March 2015 had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) and its associated corporations (within the meaning of the SFO).

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party transactions that are required to be disclosed for the Year are set out in note 42 to the consolidated financial statements. Save as disclosed in the annual report, there were no transactions required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company operates Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include the Directors, employees, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, consultant or adviser to the Group, any shareholders of the Group or any company wholly owned by one or more persons belonging to any of the participants described above. The Share Option Scheme became effective on 18 July 2008 (the "Adoption Date") and will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the Adoption Date (the "Scheme Mandate Limit"). This Scheme Mandate Limit can be refreshed by the Shareholders' approval in general meeting. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at the offer date. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant mentioned hereinafter, the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such other high percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period, if any, and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of share options is determinable by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing shares. The share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings.

DIRECTORS' REPORT

Movements relating to the share options granted during the Year were as follows:

Name and category of participant	Date of grant	Exercisable period	Number of options					Balance at 31 March 2015	Exercise price per Share HK\$
			Balance at 1 April 2014	Granted during the Year	Cancelled during the Year	Expired/Lapsed during the Year	Exercised during the Year		
Executive directors									
Mr. Law Fei Shing	30 July 2009	31 July 2009 to 17 July 2018	16,000,000	-	-	-	-	16,000,000	0.604
Mr. Law Fei Shing	6 July 2010	7 July 2010 to 17 July 2018	3,000,000	-	-	-	-	3,000,000	0.435
Mr. Law Fei Shing	31 March 2012	3 April 2012 to 17 July 2018	8,000,000	-	-	-	-	8,000,000	0.101
Mr. Shi Hua	31 March 2012	3 April 2012 to 17 July 2018	27,000,000	-	-	-	(27,000,000)	-	0.101
Mr. Shi Jun	31 March 2012	3 April 2012 to 17 July 2018	27,000,000	-	-	-	(27,000,000)	-	0.101
Ms. Shen Mingzhen	31 March 2012	3 April 2012 to 17 July 2018	27,000,000	-	-	-	(27,000,000)	-	0.101
Independent non-executive directors									
Ms. Tang Yan	31 March 2012	3 April 2012 to 17 July 2018	2,000,000	-	-	(2,000,000)	-	-	0.101
Ms. Lau Siu Ngor	31 March 2012	3 April 2012 to 17 July 2018	2,000,000	-	-	(2,000,000)	-	-	0.101
			112,000,000	-	-	(4,000,000)	(81,000,000)	27,000,000	
Employees									
In aggregate	30 July 2009	31 July 2010 to 17 July 2018	2,000,000	-	-	-	-	2,000,000	0.604
In aggregate	6 July 2010	7 July 2010 to 17 July 2018	500,000	-	-	-	-	500,000	0.435
In aggregate	25 October 2010	26 October 2010 to 17 July 2018	1,200,000	-	-	-	-	1,200,000	0.415
In aggregate	31 March 2012	3 April 2012 to 17 July 2018	3,000,000	-	-	-	-	3,000,000	0.101
			6,700,000	-	-	-	-	6,700,000	
Third parties									
In aggregate	6 July 2010	7 July 2010 to 17 July 2018	20,000,000	-	-	-	-	20,000,000	0.435
In aggregate	25 October 2010	26 October 2010 to 17 July 2018	45,000,000	-	-	-	-	45,000,000	0.415
In aggregate	31 March 2012	3 April 2012 to 17 July 2018	112,062,260	-	-	-	-	112,062,260	0.101
			177,062,260	-	-	-	-	177,062,260	
Total			295,762,260	-	-	(4,000,000)	(81,000,000)	210,762,260	

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the Year:

- (i) The Group's five largest customers accounted for less than 30% of the Group's total turnover; and
- (ii) The Group's largest supplier and five largest suppliers accounted for approximately 44% and 52% respectively of the Group's total purchase (not including purchases of items which are of capital nature).

None of the Directors, their Associates, or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's share capital) has any beneficial interests in these major customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in respect of the shares of the Company under the Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the Year and up to the date of this report.

CORPORATE GOVERNANCE PRACTICES

Throughout the Year, the Company has complied with the Code in so far as they are applicable except the deviations as disclosed in the "Corporate Governance Report".

AUDITOR

The financial statements for the years ended 31 March 2012, 2013 and 2014 were audited by BDO Limited.

During the Year, BDO Limited resigned as the auditor of the Group with effect from 19 January 2015 and Ernst & Young was appointed as the Group's auditor to fill the casual vacancy. For the year ended 31 March 2015, the financial statements of the Company have been audited by Ernst & Young whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming AGM.

By Order of the Board
Mr. Shi Hua
Chairman
Hong Kong, 29 June 2015

FIVE YEAR SUMMARY

Year ended 31 March	2015 HK\$'000	2014 HK\$'000 (Restated)	2013 HK\$'000 (Restated)	2012 HK\$'000 (Restated)	2011 HK\$'000 (Restated)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS					
Revenue	97,396	157,284	127,405	64,704	135,467
Profit/(Loss) before income tax	44,073	10,934	4,901	(121,494)	18,358
Income tax (expense)/credit	(5,937)	(4,932)	(9,280)	605	(14,002)
Profit/(Loss) for the year	38,136	6,002	(4,379)	(120,889)	4,356
Profit/(Loss) attributable to:					
Owners of the Company	37,425	5,719	(20,088)	(111,245)	(20,335)
Non-controlling interests	711	283	15,709	(9,644)	24,691
	38,136	6,002	(4,379)	(120,889)	4,356
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Non-current assets	554,049	466,180	467,347	482,443	547,321
Net current assets	119,912	108,033	103,962	119,455	87,403
Non-current liabilities	(121,841)	(123,350)	(135,967)	(103,501)	(104,259)
Net assets	552,120	450,863	435,342	498,397	530,465
Non-controlling interests	(8,915)	(8,198)	(6,520)	(167,603)	(201,014)
Equity attributable to owners of the Company	543,205	442,665	428,822	330,794	329,451

CORPORATE GOVERNANCE REPORT

The Board is committed to maintain a high standard of corporate governance with a view to enhance the management of the Company as well as to preserve the interests of the Shareholders as a whole. In the opinion of the Board, the Company had complied with the Code during the Year, except for the deviation from code provisions A.1.1 and A.6.7 of the Code as described below.

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 Year.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this annual report, the Board comprises nine members, including five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Board members during the Year and up to the date of this annual report were:

Executive Directors

Mr. Shi Hua (*Chairman*)

Mr. Shi Jun (*Chief Executive Officer*)

Mr. Law Fei Shing (*Deputy Chief Executive Officer*)

Ms. Shen Mingzhen (*Deputy Chief Executive Officer*)

Mr. Cheng Gang (*Deputy Chief Executive Officer*)

(Appointed as Non-executive Director on 3 July 2014 and re-designated as Executive Director on 25 March 2015)

Non-executive Director

Mr. Wang Hongjie

Independent Non-executive Directors

Mr. Chan Koon Yung

(Appointed on 24 June 2014)

Mr. Lai Chun Yu

(Appointed on 15 October 2014)

Mr. Li Xigang

(Appointed on 15 October 2014)

Ms. Tang Yan

(Resigned on 1 September 2014)

Mr. Fu Xiao Dong

(Resigned on 1 September 2014)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Biographical details of the Directors as at the date of this annual report are set out in the "Management Profile" section on pages 8 to 11 of this annual report. Mr. Shi Hua, an Executive Director and the Chairman, is the father of Mr. Shi Jun, an Executive Director and the Chief Executive Officer. Save for the aforesaid, none of the Directors has any financial, business, family or other material or relevant relationships among members of the Board.

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors

One of the Independent Non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise. All of the Independent Non-executive Directors have signed their respective confirmation letters to the Company confirming their independence as set out in the Listing Rules 3.13. During the Year, the Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company.

The Board

All Directors have provided gravest concern, sufficient time and attention to all the significant issues and affairs of the Company and its subsidiaries. Each Executive Director has accumulated sufficient and valuable experience to hold his position in order to ensure that his fiduciary duties have been carried out in an efficient and effective manner.

The Board is charged with the responsibility of setting corporate policy and overall strategy for the Group and providing effective oversight of the management of the Group's business affairs. The Board also monitors the financial performance and the internal controls of the Group's business operations.

Board Meetings and Attendance

The Board meets in person or through other electronic means of communication to determine overall strategic direction and objectives and approve interim and annual results, and other significant matters. The Board held 14 meetings during the year ended 31 March 2015. Individual attendance records of each Director at the respective Board and committee meetings are set out in the table on page 28 of this report.

During the Year, 2 regular and 12 irregular Board meetings were held. Notice of at least 14 days is given to all Directors for a regular Board meeting. Apart from the regular Board meetings of the year, the Board also meets on other occasions when a Board level decision on a particular matter is required. For such, reasonable notice is generally given. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and senior management. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company. Any Directors and their associates who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed in the Board meetings shall abstain from voting on the relevant resolutions and are not to be counted in the quorum at meetings.

At least 3 days (or such other period as agreed in advance) before each Board meeting, a draft agenda is sent out to all Directors in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors 3 days or such other period as agreed before each Board meeting such that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

Relationships Between Board Members

Mr. Shi Hua, an Executive Director and the Chairman, is the father of Mr. Shi Jun, an Executive Director and the Chief Executive Officer. Save for the aforesaid, none of the Directors is related to one another.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development of the Directors

The Directors are encouraged to participate in continuous professional developments (the “Continuous Professional Developments”) to develop and refresh their knowledge and skills. The Company provides internal trainings and in-house briefings to the Directors to ensure awareness of best corporate governance practices. During the Year, the Company held one session of internal and corporate governance training for all the Directors.

According to the confirmation records provided by the Directors, all the Directors have participated in Continuous Professional Development for the Year. During the Year, the Directors have participated in the Continuous Professional Developments in the following manner:

Name	Reading materials in relation to Continuous Professional Developments	Attending seminars/ courses/conferences in relation to Continuous Professional Developments
Executive Directors		
Mr. Shi Hua	✓	✓
Mr. Shi Jun	✓	✓
Mr. Law Fei Shing	✓	✓
Ms. Shen Mingzhen	✓	✓
Mr. Cheng Gang	✓	✓
Non-executive Director		
Mr. Wang Hongjie	✓	
Independent Non-executive Directors		
Mr. Chan Koon Yung	✓	✓
Mr. Lai Chun Yu	✓	✓
Mr. Li Xigang	✓	✓

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2015, the Board has adopted and complied with the code provisions of the Code in so far as they are applicable except for the following deviations.

Code provision A.1.1 of the Code

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

CORPORATE GOVERNANCE REPORT

Code Provision A.6.7 of the Code

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

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Chairman and the Chief Executive Officer are currently two separate positions held by Mr. Shi Hua and Mr. Shi Jun respectively with clear distinction in responsibilities.

Mr. Shi Hua, being the Chairman, is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately.

Mr. Shi Jun, being the Chief Executive Officer, is responsible for the daily operations of the Group and the implementation of business policies, objectives and plans as formulated and adopted by the Board, and is accountable to the Board for the overall operation of the Group.

APPOINTMENT AND RE-ELECTION OF NON-EXECUTIVE DIRECTORS

Mr. Wang Hongjie and Mr. Chan Koon Yung have entered into a service contract with the Company for a period of one year from 23 January 2014 and 24 June 2014 respectively and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

Each of Mr. Lai Chun Yu and Mr. Li Xigang has entered into a service contract with the Company for a period of one year from 15 October 2014 and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

Pursuant to Bye-law No. 84 of the Bye-laws, at each annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation such that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to rotation who have been longest in office since their last election or appointment and so that as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

CORPORATE GOVERNANCE REPORT

Pursuant to Bye-law No. 83(2) of the Bye-laws, the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. All Directors appointed to fill a casual vacancy shall be subject to election by the Shareholders at the first annual general meeting after their appointment. Any other Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Directors' and Officers' Liability Insurance

The Company has arranged appropriate directors' and officers' liability insurance coverage for indemnifying the Directors and officers of the Company against costs, charges, losses, expenses and liabilities incurred arising out of the corporate activities.

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, Audit Committee and Nomination Committee, for overseeing particular aspects of the Group's affairs. All of these three committees of the Company are established with defined written terms of reference.

The majority of the members of Audit Committee, Remuneration Committee and Nomination Committee are independent non-executive Directors.

The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Remuneration Committee

The Company has set up a remuneration committee with written terms of reference in compliance with the Code to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors and senior management. The Remuneration Committee comprised three Independent Non-executive Directors, Mr. Chan Koon Yung, Mr. Lai Chun Yu and Mr. Li Xigang during the Year. The remuneration committee was chaired by Mr. Chan Koon Yung during the Year.

The Remuneration Committee is accountable to the Board and its primary role is to conduct annual review of the policy and structure for all remuneration of Directors and senior management and to make recommendations to the Board on such policy and structure and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee also has the delegated responsibility to determine the remuneration packages of all Executive Directors and senior management and make recommendations to the Board of the remuneration of Non-executive Directors and Independent Non-executive Directors. The Remuneration Committee assists the Board to regularly review and formulate fair and competitive remuneration packages which attract, retain and motivate Directors and senior management of the quality required to run the Company successfully.

The Remuneration Committee meets at least once a year. The Remuneration Committee makes recommendations of the Director's remuneration (including Audit Committee and Remuneration Committee members' fees) and other remuneration related matters to the Board for final approval.

During the Year, the Remuneration Committee held three meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. Individual attendance records of each member of the Remuneration Committee are set out in the table on page 28 of this report.

The Directors' remuneration for the Year is set out in note 9 to the financial statements.

CORPORATE GOVERNANCE REPORT

Audit Committee

During the Year, the Audit Committee comprised three Independent Non-executive Directors, Mr. Chan Koon Yung, Mr. Lai Chun Yu and Mr. Li Xigang. The Audit Committee was chaired by Mr. Chan Koon Yung during the Year.

None of the members of the Audit Committee is a member of the former or existing auditors of the Company. The Audit Committee has adopted the principles set out in the Code.

The Audit Committee is accountable to the Board and its primary role is to assist the Board to monitor the Company's financial reporting process, to consider the nature and scope of audits and reviews, to ensure the effective internal control and risk management systems are in place and to review the Group's interim and annual financial statements. The Audit Committee has access to and maintains an independent communication with the auditors and the management to ensure effective information exchange on all relevant financial accounting matters.

The Audit Committee submits its written report to the Board after each Audit Committee meeting, drawing the Board's attention to important issues that the Board should be aware of, identifying any matters in respect of which it considers that action or improvement is needed and making appropriate recommendations.

During the Year, the Audit Committee held three meetings (one meeting together with the external auditors) to review the audited financial statements and annual results announcement for the year ended 31 March 2014; to review the unaudited interim report and interim results announcement for the six months ended 30 September 2014; to review the work of the internal control advisor on assessing the effectiveness of the Group's internal control system; and consider to change of external auditors. Individual attendance records of each member of the Audit Committee are set out in the table on page 28 of this report.

The Group's financial statements and annual results announcement for the year ended 31 March 2015 were reviewed by the Audit Committee on 25 June 2015.

Nomination Committee

During the Year, the Nomination Committee comprised Mr. Shi Hua, the Chairman, and Mr. Chan Koon Yung, Mr. Lai Chun Yu and Mr. Li Xigang, the Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Shi Hua.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

CORPORATE GOVERNANCE REPORT

The Board has set measurable objectives (in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services) to implement the Board diversity policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

The Nomination Committee meets at least once a year and submits its written report to the Board after each Nomination Committee meeting.

During the Year, the Nomination Committee held three meetings to evaluate nominees to fill up the vacancy resulted from resigned Directors and make recommendation to the Board; and to review the size and composition and diversity of the Board by taking into account the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained. Individual attendance records of each member of the Nomination Committee are set out in the table below.

Directors' Attendance Record at Meetings

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the year ended 31 March 2015 are as follows:

Name of Director	Board Meeting	Audit	Nomination	Remuneration	General Meeting
	Attended/Eligible to attend	Committee Meeting Attended/Eligible to attend	Committee Meeting Attended/Eligible to attend	Committee Meeting Attended/Eligible to attend	
Executive Directors					
Mr. Shi Hua	14/14	N/A	4/4	N/A	1/1
Mr. Shi Jun	13/14	N/A	N/A	N/A	1/1
Mr. Law Fei Shing	14/14	N/A	N/A	N/A	1/1
Ms. Shen Mingzhen	13/14	N/A	N/A	N/A	1/1
Mr. Cheng Gang (Appointed as Non-executive Director on 3 July 2014 and re-designated as Executive Director on 25 March 2015)	9/9	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Wang Hongjie	12/14	N/A	N/A	N/A	0/1
Independent non-executive Directors					
Mr. Chan Koon Yung (Appointed on 24 June 2014)	11/11	3/3	3/3	3/3	1/1
Mr. Lai Chun Yu (Appointed on 15 October 2014)	5/5	2/2	1/1	1/1	0/0
Mr. Li Xigang (Appointed on 15 October 2014)	5/5	2/2	1/1	1/1	0/0
Ms. Tang Yan (Resigned on 1 September 2014)	6/7	1/1	2/2	2/2	0/0
Mr. Fu Xiao Dong (Resigned on 1 September 2014)	6/7	1/1	2/2	2/2	0/0

CORPORATE GOVERNANCE REPORT

For those members appointed or resigned during the Year, the number of meetings available for their participation related to the periods from the dates of their appointment up to 31 March 2015 or from 1 April 2014 to the dates of their resignation or retirement.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties in accordance with code provision D.3.1 to the Code which are included to develop and review the Company policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, the issuer's policies and practices on compliance with legal and regulatory requirements and reviewing the issuer's compliance with the Code and disclosure in the Corporate Governance Report.

AUDITOR AND THEIR REMUNERATION

The auditor of the Company is Ernst & Young, Certified Public Accountants. The "Independent Auditor's Report" is set out on pages 31 and 32.

The audit fee incurred for the Group for the Year was approximately HK\$884,000. No non-auditing service fee was paid/payable to the Company's auditor for the Year.

COMPANY SECRETARY

The Company appointed Mr. Law Fei Shing as the Company Secretary since 22 July 2011. Mr. Law is also an Executive Director and the deputy chief executive officer of the Company. He supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. He is also responsible for advising the Board through the Chairman on corporate governance and the implementation of the Code. The Company Secretary has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Chairman. All Directors also have access to the advice and services of the Company Secretary to ensure that all applicable laws, rules and regulations are followed. The selection, appointment and dismissal of the Company Secretary are subject to the Board approval.

The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the Year.

FINANCIAL REPORTING

The Board is accountable to the Shareholders and is committed to presenting comprehensive and timely information to the Shareholders on assessment of the Company's performance, financial position and prospects.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Group is committed to set up and maintain a good system of internal control which is devised to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimize rather than eliminate the risks of failure in the Group's operational systems. The Board is responsible for maintaining a sound and effective system of internal control particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations and safeguard the Shareholders' investment and the Company's assets.

The Board had engaged Moore Stephens Consulting Limited, the outsourced internal auditor, to perform an independent review on effectiveness of the internal control systems and compliance controls of the Group for the Year. The outsourced internal auditor provided reports to the Audit Committee with highlighting observations and recommendations to improve the internal control system. The Audit Committee reviewed the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions. Based on the findings of the outsourced internal auditor and comments of the Audit Committee, the Board considers that the Group's internal control system is effective.

SHAREHOLDERS' RIGHTS

Procedures for the Shareholders to convene a special general meeting

Pursuant to the article 58 of the Bye-laws, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an SGM to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The procedures for Shareholders to propose a person for election as Director is posted on the Company's website at www.anxianyuanchina.com.

Procedures for the shareholders to put their enquiries to the board

The Company endeavor to maintain two way communications with the Shareholders through various channels. The Shareholders are encouraged to put their enquiries about the Group by mail to the principle address of the Company at 9th Floor, Cheuk Nang Plaza, 250 Hennessy Road, Wanchai, Hong Kong. All the enquiries are dealt with in timely manner. The Shareholders are also encouraged to attend the AGM and SGM and to put their enquiries to the Board directly. Notices are duly being circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the SGM. The Chairman of the Board, chairmen of each of the Remuneration Committee, Nomination Committee and Audit Committee attend the aforesaid meetings and respond to the Shareholders' enquiries in a promptly manner. The detailed procedures for conducting a poll are set out in the proxy forms and will be explained by the chairmen of the AGM and SGM orally in the beginning of the aforesaid meetings.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its Shareholders and investment public.

The Company updates its Shareholders on its latest business developments and financial performance through its annual and interim reports. The corporate website of the Company (www.anxianyuanchina.com) has provided an effective communication platform to the public and the Shareholders.

Constitutional Documents

During the Year, there had not been any changes in the Company's constitutional documents. The Bye-laws are available on the websites of the Company and on the Stock Exchange.

INDEPENDENT AUDITORS' REPORT



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To the shareholders of Anxian Yuan China Holdings Limited (Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Anxian Yuan China Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 33 to 108, which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 March 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong
29 June 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
REVENUE	6	97,396	157,284
Cost of sales		(28,391)	(94,650)
Gross profit		69,005	62,634
Other income and gains	6	34,066	8,657
Selling and distribution expenses		(9,276)	(18,044)
Administrative expenses		(46,956)	(35,431)
Finance costs	8	(2,453)	(6,882)
Share of loss of an associate		(313)	–
PROFIT BEFORE TAX	7	44,073	10,934
Income tax expense	11	(5,937)	(4,932)
PROFIT FOR THE YEAR		38,136	6,002
Attributable to:			
Owners of the parent		37,425	5,719
Non-controlling interests		711	283
		38,136	6,002
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (HK cents)	14	0.57	0.09
Diluted (HK cents)	14	0.56	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000 (Restated)
PROFIT FOR THE YEAR	38,136	6,002
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	601	8,258
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	601	8,258
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	38,737	14,260
Attributable to:		
Owners of the parent	38,020	13,843
Non-controlling interests	717	417
	38,737	14,260

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2015

	<i>Notes</i>	31 March 2015 HK\$'000	31 March 2014 HK\$'000 (Restated)	1 April 2013 HK\$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	15	17,927	6,667	6,984
Investment properties	16	1,230	1,556	1,850
Intangible assets	17	392,432	394,009	390,581
Investment in an associate	19	4,374	–	–
Available-for-sale investments	20	2,525	–	–
Prepayments	25	14,834	–	–
Cemetery assets	21	120,727	63,948	67,932
Total non-current assets		554,049	466,180	467,347
CURRENT ASSETS				
Inventories	23	144,707	118,320	151,891
Trade receivables	24	22,458	125,404	72,068
Prepayments, deposits and other receivables	25	24,415	25,475	46,514
Pledged deposits	26	20,073	21,436	37,148
Cash and cash equivalents	26	81,506	10,703	17,200
Total current assets		293,159	301,338	324,821
CURRENT LIABILITIES				
Trade payables	27	15,880	2,130	22,451
Other payables and accruals	28	7,718	45,053	29,455
Deferred income	29	2,271	2,140	1,601
Interest-bearing bank borrowings	30	116,666	102,137	133,735
Amount due to a director	31	–	6,500	–
Amount due to a non-controlling shareholder		1,171	1,144	1,123
Tax payable		29,541	34,201	32,494
Total current liabilities		173,247	193,305	220,859
NET CURRENT ASSETS		119,912	108,033	103,962
TOTAL ASSETS LESS CURRENT LIABILITIES		673,961	574,213	571,309

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2015

	<i>Notes</i>	31 March 2015 HK\$'000	31 March 2014 HK\$'000 (Restated)	1 April 2013 HK\$'000 (Restated)
NON-CURRENT LIABILITIES				
Promissory notes	32	–	12,074	30,144
Interest-bearing bank borrowings	30	8,837	–	–
Deferred income	29	13,090	14,062	9,952
Deferred tax liabilities	22	99,914	97,214	95,871
Total non-current liabilities		121,841	123,350	135,967
Net assets		552,120	450,863	435,342
EQUITY				
Equity attributable to owners of the parent				
Share capital	34	529,162	444,062	312,062
Reserves	35	14,043	(1,397)	116,760
		543,205	442,665	428,822
Non-controlling interests		8,915	8,198	6,520
Total equity		552,120	450,863	435,342

Shi Hua
Director

Law Fei Shing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2015

Notes	Attributable to owners of the parent							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium account* HK\$'000	Share-based compensation reserve* HK\$'000	Convertible notes reserve* HK\$'000	Statutory reserve fund* HK\$'000	Exchange fluctuation reserve* HK\$'000	Accumulated losses* HK\$'000			
At 1 April 2014:										
As previously reported	444,062	225,296	16,882	88,536	1,970	30,658	(359,801)	447,603	8,299	455,902
Prior year adjustments	-	-	-	-	-	(455)	(4,483)	(4,938)	(101)	(5,039)
As restated	444,062	225,296	16,882	88,536	1,970	30,203	(364,284)	442,665	8,198	450,863
Profit for the year	-	-	-	-	-	-	37,425	37,425	711	38,136
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	595	-	595	6	601
Total comprehensive income for the year	-	-	-	-	-	595	37,425	38,020	717	38,737
Issue of shares	32,000	22,339	-	-	-	-	-	54,339	-	54,339
Exercise of share options	8,100	2,689	(2,608)	-	-	-	-	8,181	-	8,181
Lapse of share options	-	-	(129)	-	-	-	129	-	-	-
Conversion of convertible notes	45,000	(24,878)	-	(20,122)	-	-	-	-	-	-
Transfer from retained profits	-	-	-	-	2,868	-	(2,868)	-	-	-
At 31 March 2015	529,162	225,446	14,145	68,414	4,838	30,798	(329,598)	543,205	8,915	552,120

* These reserve accounts comprise the consolidated reserves of approximately HK\$14,043,000 (2014: HK\$(1,397,000)) in the consolidated statement of financial position.

Year ended 31 March 2014

Notes	Attributable to owners of the parent							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Convertible notes reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 April 2013:										
As previously reported	312,062	298,272	18,373	147,560	669	22,464	(365,710)	433,690	6,621	440,311
Prior year adjustments	-	-	-	-	-	(385)	(4,483)	(4,868)	(101)	(4,969)
As restated	312,062	298,272	18,373	147,560	669	22,079	(370,193)	428,822	6,520	435,342
Profit for the year	-	-	-	-	-	-	5,719	5,719	283	6,002
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	8,124	-	8,124	134	8,258
Total comprehensive income for the year	-	-	-	-	-	8,124	5,719	13,843	417	14,260
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	1,261	1,261
Lapse of share options	-	-	(1,491)	-	-	-	1,491	-	-	-
Conversion of convertible notes	132,000	(72,976)	-	(59,024)	-	-	-	-	-	-
Transfer from retained profits	-	-	-	-	1,301	-	(1,301)	-	-	-
At 31 March 2014	444,062	225,296	16,882	88,536	1,970	30,203	(364,284)	442,665	8,198	450,863

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		44,073	10,934
Adjustments for:			
Interest income	<i>6</i>	(92)	(1,323)
Gain on disposal of items of property, plant and equipment	<i>6</i>	(378)	(3)
Reversal of impairment loss on other receivables	<i>6</i>	–	(7,317)
Gain on bargain purchase arising from business combination	<i>6</i>	(213)	–
Finance costs	<i>8</i>	2,453	6,882
Depreciation on property, plant and equipment	<i>7</i>	2,834	2,279
Depreciation on investment properties	<i>7</i>	328	327
Amortisation of cemetery assets	<i>7</i>	2,631	4,688
Amortisation of intangible assets	<i>7</i>	2,053	3,728
		53,689	20,195
(Increase)/decrease in cemetery assets and inventories		(80,730)	39,696
Decrease/(increase) in trade receivables		103,009	(56,228)
Decrease in prepayments, deposits and other receivables		22,994	3,743
Increase/(decrease) in trade payables		13,749	(7,671)
(Decrease)/increase in other payables and accruals and deferred income		(38,352)	22,279
		74,359	22,014
Cash generated from operations		74,359	22,014
Interest paid		(6,722)	(6,455)
Tax paid		(8,054)	(4,210)
		59,583	11,349
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		92	1,323
Purchases of items of property, plant and equipment		(14,037)	(1,854)
Proceeds from disposal of items of property, plant and equipment		406	3
Payment for non-current prepayments		(4,430)	–
Disposal of a subsidiary		–	25,000
Purchases of available-for-sale investments		(2,525)	–
Acquisition of a subsidiary	<i>37</i>	(9,635)	–
Purchase of a shareholding in an associate		(1,557)	–
Decrease in pledged time deposits		1,363	15,712
		(30,323)	40,184
Net cash flows (used in)/generated from investing activities		(30,323)	40,184

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	34	54,339	–
Exercise of share options	34	8,181	–
New bank loans		92,693	102,137
Repayment of bank loans		(94,686)	(133,735)
Increase in amount due to a non-controlling shareholder of a subsidiary		27	–
Decrease in amount due to a non-controlling shareholder of a subsidiary		–	(11,306)
Increase in amount due to a director		–	6,500
Decrease in amount due to a director		(6,500)	–
Repayments of promissory notes	32	(12,538)	(22,000)
Capital contribution from a non-controlling shareholder of a subsidiary		–	1,261
Net cash flows from/(used in) financing activities		41,516	(57,143)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		10,703	17,200
Effect of foreign exchange rate changes, net		27	(887)
CASH AND CASH EQUIVALENTS AT END OF YEAR		81,506	10,703
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	81,506	10,703
Cash and cash equivalents as stated in the statement of financial position		81,506	10,703
Cash and cash equivalents as stated in the statement of cash flows		81,506	10,703

STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	472	149
Investments in subsidiaries	18	9	9
Total non-current assets		481	158
CURRENT ASSETS			
Deposits and other receivables	25	337	260
Amounts due from subsidiaries		445,820	426,810
Cash and bank balances		8,022	161
Total current assets		454,179	427,231
CURRENT LIABILITIES			
Other payables and accruals	28	1,746	526
Amounts due to directors		–	6,500
Total current liabilities		1,746	7,026
NET CURRENT ASSETS		452,433	420,205
TOTAL ASSETS LESS CURRENT LIABILITIES		452,914	420,363
NON-CURRENT LIABILITIES			
Promissory notes	32	–	12,074
Total non-current liabilities		–	12,074
Net assets		452,914	408,289
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	529,162	444,062
Reserves	35	(76,248)	(35,773)
Total equity		452,914	408,289

Shi Hua
Director

Law Fei Shing
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. CORPORATE AND GROUP INFORMATION

Anxian Yuan China Holdings Limited is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. During the year, the Group's principal activity is performing the cemetery business in mainland of People's Republic of China ("the PRC").

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, which because the Company has not early adopted the revised Listing Rules issued by the Hong Kong Stock Exchange, are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.1 BASIS OF PREPARATION (CONTINUED)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

¹ Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

- (a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.
- (b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.
- (d) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.
- (e) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.
- (f) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.
- (g) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.
- (h) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.3 NEW AND REVISED HKFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

HKFRS 9	<i>Financial Instruments</i> ⁴
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ²
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 1	<i>Disclosure Initiative</i> ²
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ²
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ²
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSS ¹
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSS ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSS ²

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

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

⁵ Effective for an entity that first adopts HKFRSSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 March 2016. The Group is in the process of making assessment of the impact of these changes.

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.3 NEW AND REVISED HKFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 April 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 April 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. The Group expects to adopt the amendments from 1 April 2016.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.3 NEW AND REVISED HKFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 April 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

Fair value measurement

The Group measures all of its assets and liabilities at cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, cemetery assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	10% or over the lease term, whichever is shorter
Leasehold improvements	20% or over the lease term, whichever is shorter
Furniture, fixtures and equipment	20% to 33 $\frac{1}{3}$ %
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

The cost model is applied whereby investment properties are measured initially at cost, including any directly attributable expenditure. After initial recognition, investment properties are carried at cost less accumulated depreciation, and impairment losses, if any.

Depreciation is calculated on the straight-line method to write off the cost of investment properties over their estimated useful life. The principal annual rate used for this purpose is the shorter of the lease terms and 10 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately represent allocated land and cemetery operating licence and are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortisation and any impairment losses. Amortisation is charged in accordance with the number of plots and niches sold.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to a non-controlling shareholder and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Convertible notes

The Group's convertible notes are accounted for as equity instruments on the ground that the entire number of convertible notes must be converted into conversion shares on or before the maturity date. At initial recognition, the fair value of convertible notes was recognised in the convertible notes reserve until these notes are either converted or cancelled or expire. When the notes are converted, the convertible notes reserve, at the time of conversion, will be transferred to share capital and share premium as consideration for the shares issued. When the notes are cancelled or expire, the convertible notes reserve will be released directly to accumulated losses.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cemetery assets

Cemetery assets are mainly costs incurred on public facilities to enhance better landscape and environment to the cemetery, such as tree plantation and are carried at the lower of cost less accumulated amortisation and net realisable value prior to the commencement of development of the cemetery. Amortisation is charged to profit or loss on the straight-line method over the estimated useful lives which are 20 years for tree plantation and 40 years for landscape and roads.

Upon commencement of development of the cemetery with the intention of sale in the ordinary course of business of the Group, the related carrying amounts of cemetery assets are transferred to inventories.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, and in the case of finished goods, which represent tombs and columbarium niches, comprises the cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Other employee benefits

Short term employee benefits

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) Revenue from the sale of tombs/niches is recognised when the right to use tombs/niches has passed, at which time all the following conditions are satisfied:
 - (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the tombs/niches;
 - (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the tombs/niches sold;
 - (iii) the amount of revenue can be measured reliably;
 - (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
 - (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.
- (b) Management fee income is deferred and amortised on a straight-line basis over the contract terms which are generally ten years;
- (c) Interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees and directors who contribute to the success of the Group's operations.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date using a binomial model.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based employee compensation (Continued)

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share-based compensation reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in the share-based compensation reserve will be transferred to share premium. After the vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in the share-based compensation reserve will be transferred to accumulated losses.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.5% (2014: 6.75%) has been applied to the expenditure on the individual assets.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Change in accounting estimates

With effect from 1 April 2014, the Group decided to change the estimated useful lives of public facilities included in cemetery assets. The useful life of landscape and roads has been changed from 20 years to 40 years.

	Useful lives
Landscape and roads	40 years

The change of accounting estimate is a result of directors' estimation to extend the business period and based on the reassessment by the directors according to the historical experience of the actual useful lives of supporting infrastructures of different nature and functions and reference to the industry common practice. Such change in accounting estimate was recognised prospectively from 1 April 2014 and decreases the amortisation charge of the Group by approximately HK\$2,472,300 for each of the year ended 31 March 2015 and 2016 and increases the balance of cemetery assets by approximately HK\$2,472,300 as at 31 March 2015 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The useful lives of property, plant and equipment are disclosed in note 2.4 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers that it is probable that future taxable profit will be available against which the temporary tax differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax liabilities and deferred tax in the periods in which such estimates have been changed. The carrying amount of deferred tax liabilities carried in the consolidated statement of financial position as at 31 March 2015 was HK\$99,914,000 (31 March 2014: HK\$97,214,000), details of which are set out in note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. PRIOR YEAR ADJUSTMENTS

In preparing the consolidated financial statements for the year ended 31 March 2015, the Group identified the needs to make certain corrections, including accounting policy changes in the presentation and disclosures of certain transactions and balances in the previously issued consolidated financial statements for the year ended 31 March 2014.

The corrections made included.

- (i) Recognition of the nominal amount of management fees included in the sales of tombs as deferred income and credit to revenue using the straight-line method over a period of ten year (note 29); and
- (ii) a change in accounting policy related to cemetery assets and inventories. In order to better follow the industry practice, the directors of the Company are of the opinion that upon commencement of development of an area within the cemetery, the proportionate cemetery assets for public facilities should be transferred to inventories (note 21).

Consequently, the Group's consolidated statements of financial position as at 31 March 2014 and 31 March 2013 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year ended 31 March 2014 and certain explanatory notes have been restated to reflect these corrections.

Impact on the consolidated statement of comprehensive income for the year ended 31 March 2014:

	The Group as previously reported HK\$'000	Prior year adjustments HK\$'000	The Group as restated HK\$'000
Increase/(decrease)			
Exchange differences on translation of foreign operations	8,328	(70)	8,258
Other comprehensive income for the year	8,328	(70)	8,258
Total comprehensive income for the year attributable to:			
Owners of the parent	13,913	(70)	13,843
Non-controlling interests	417	–	417

The directors considered that the impact of above prior year adjustments on earnings per share is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. PRIOR YEAR ADJUSTMENTS (CONTINUED)

Impact on the consolidated statement of financial position as at 31 March 2014:

	The Group as previously reported HK\$'000	Reclassification adjustments* HK\$'000	Other prior year adjustments HK\$'000	The Group as restated HK\$'000
Increase/(decrease)				
Other payables, accruals, deposits received and receipts in advance	46,602	(46,602)	–	–
Other payables and accruals	–	45,053	–	45,053
Deferred income – current	–	1,549	591	2,140
Receipts in advance	11,431	(11,431)	–	–
Deferred income – Non-current	–	11,431	2,631	14,062
Deferred expenditure	71,150	(71,150)	–	–
Cemetery assets	–	71,150	(7,202)	63,948
Development and formation costs	105,550	(105,550)	–	–
Inventories	8,963	105,550	3,807	118,320
Deferred tax liabilities	98,792	–	(1,578)	97,214
Accumulated losses	359,801	–	4,483	364,284
Non-controlling interests	8,299	–	(101)	8,198
Exchange fluctuation reserve	30,658	–	(455)	30,203

Impact on the consolidated statement of financial position as at 31 March 2013:

	The Group as previously reported HK\$'000	Reclassification adjustments* HK\$'000	Other prior year adjustments HK\$'000	The Group as restated HK\$'000
Increase/(decrease)				
Other payables, accruals, deposits received and receipts in advance	30,441	(30,441)	–	–
Other payables and accruals	–	29,455	–	29,455
Deferred income – current	–	986	615	1,601
Receipts in advance	7,415	(7,415)	–	–
Deferred income – Non-current	–	7,415	2,537	9,952
Deferred expenditure	74,477	(74,477)	–	–
Cemetery assets	–	74,477	(6,545)	67,932
Development and formation costs	140,758	(140,758)	–	–
Inventories	7,983	140,758	3,150	151,891
Deferred tax liabilities	97,449	–	(1,578)	95,871
Accumulated losses	365,710	–	4,483	370,193
Non-controlling interests	6,621	–	(101)	6,520
Exchange fluctuation reserve	22,464	–	(385)	22,079

* Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

5. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2015 HK\$'000	2014 HK\$'000
Mainland China	97,396	157,284

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

(b) Non-current assets

	2015 HK\$'000	2014 HK\$'000
Hong Kong	869	723
Mainland China	553,180	465,457
	554,049	466,180

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

No revenue from a single customer accounted for 10% or more of the Group's revenue during the year ended 31 March 2015.

During the year ended 31 March 2014, there were two single customers of which the revenue individually accounted for 10% or more of the Group's revenue and the amount of revenue of them were HK\$63,153,000 and HK\$16,421,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

6. REVENUE, OTHER INCOME AND GAINS

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

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

	2015 HK\$'000	2014 HK\$'000
Revenue		
Sales of tombs and niches	93,240	156,260
Management fee income	2,223	1,024
Burial service	1,647	–
Sales of funeral suppliers	286	–
	97,396	157,284
Other income and gains		
Reversal of business tax over accrued in previous years	32,770	–
Sundry income	613	14
Gain on disposal of items of property, plant and equipment	378	3
Gain on bargain purchase arising from business combination (<i>note 37</i>)	213	–
Bank interest income	92	1,323
Reversal of impairment loss on other receivables (<i>note 25</i>)	–	7,317
	34,066	8,657

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

7. PROFIT BEFORE TAX

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

	2015 HK\$'000	2014 HK\$'000 (Restated)
Cost of inventories sold	23,408	86,681
Cost of services provided	299	–
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):		
Wages and salaries	7,976	1,548
Amortisation of intangible assets (note 17)*	2,053	3,728
Amortisation of cemetery assets (note 21)*	2,631	4,241
Auditors' remuneration	884	580
Depreciation		
– Property, plant and equipment (note 15)	2,834	2,279
– Investment properties (note 16)	328	327
Foreign exchange differences, net	30	3
Minimum lease payments under operating leases	2,950	2,520

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK\$'000	2014 HK\$'000
Interest on interest-bearing bank borrowings wholly repayable within five years	7,023	6,455
Interest on promissory notes	926	3,930
Total interest expense	7,949	10,385
Less: Interest capitalised	(5,742)	(3,685)
Other finance costs	2,207	6,700
	246	182
	2,453	6,882

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Fees	302	360
Other emoluments:		
Salaries, allowances and benefits in kind	2,635	1,919
Performance related bonuses	100	100
Pension scheme contributions	112	15
	2,847	2,034
	3,149	2,394

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Independent non-executive directors:			
Ms. Tang Yan ("Ms. Tang")		50	120
Mr. Fu Xiao Dong ("Mr. Fu")		50	120
Mr. Chan Koon Yung ("Mr. Chan")	<i>(i)</i>	92	–
Ms. Lau Siu Ngor ("Ms. Lau")	<i>(ii)</i>	–	120
Mr. Li Xigang ("Mr. Li")	<i>(iii)</i>	55	–
Mr. Lai Chun Yu ("Mr. Lai")	<i>(iv)</i>	55	–
		302	360

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

Notes:

- (i) Appointed on 24 June 2014
- (ii) Resigned on 31 March 2014
- (iii) Appointed on 15 October 2014
- (iv) Appointed on 15 October 2014

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

	Notes	Salaries, allowance and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2015					
Executive directors:					
Mr. Shi Hua ("Mr. Shi Hua")		360	-	28	388
Mr. Shi Jun ("Mr. Shi Jun")		240	-	26	266
Mr. Law Fei Shing ("Mr. Law")		960	100	18	1,078
Ms. Shen Mingzhen ("Ms. Shen")		240	-	26	266
Mr. Cheng Gang ("Mr. Cheng")	(iv)	18	-	-	18
		1,818	100	98	2,016
Non-executive directors:					
Mr. Wang Hongjie ("Mr. Wang")		120	-	-	120
Mr. Cheng Gang ("Mr. Cheng")	(iv)	697	-	14	711
		817	-	14	831
		2,635	100	112	2,847
2014					
Executive directors:					
Mr. Shi Hua ("Mr. Shi Hua")		360	-	-	360
Mr. Shi Jun ("Mr. Shi Jun")		240	-	-	240
Mr. Law Fei Shing ("Mr. Law")		960	100	15	1,075
Ms. Shen Mingzhen ("Ms. Shen")		240	-	-	240
		1,800	100	15	1,915
Non-executive directors:					
Mr. Wang Hongjie ("Mr. Wang")	(vi)	23	-	-	23
Mr. Qi Xing Gang ("Mr. Qi")	(vii)	48	-	-	48
Mr. Yu Ping ("Mr. Yu")	(vii)	48	-	-	48
		119	-	-	119
		1,919	100	15	2,034

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (Continued)

Notes:

- (v) Appointed as non-executive director on 3 July 2014 and re-designated as executive director on 25 March 2015
- (vi) Appointed on 23 January 2014
- (vii) Retired on 26 August 2013

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2014: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits in kind	1,220	1,284
Performance related bonuses	25	41
Pension scheme contributions	75	107
	1,320	1,432

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
HK\$1 to HK\$1,000,000	2	3

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

11. INCOME TAX

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

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

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

Provision for Mainland China current income tax is based on the statutory rate of 25% (2014: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

The major components of income tax expense are as follows:

	2015 HK\$'000	2014 HK\$'000
Current tax		
Income tax in the PRC for the year	13,815	5,334
Overprovision in prior years	(10,461)	–
Deferred tax (<i>note 22</i>)	2,583	(402)
Total tax charge for the year	5,937	4,932

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before tax	44,073	10,934
Tax at the statutory tax rate of 25%	11,018	2,733
Effect of withholding tax on distributable profit of the Group's PRC subsidiaries	1,371	652
Tax effect of different taxation rates in other tax jurisdictions	1,026	1,090
Income not subject to tax	(70)	(1,207)
Expenses not deductible for tax	873	653
Tax losses not recognised	2,180	1,011
Adjustment in respect of overprovision	(10,461)	–
Total tax charge recognised	5,937	4,932

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2015 includes a loss of HK\$13,945,000 (2014: HK\$9,016,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

During this year, no proposed final dividend for the year (2014: Nil) is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,581,283,000 (2014: 6,420,623,000) in issue during the year.

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

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

	2015 HK\$'000	2014 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	37,425	5,719
	Number of shares 2015 ('000)	Number of shares 2014 ('000)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	6,581,283	6,420,623
Effect of dilution – weighted average number of ordinary shares: Share options	72,540	65,638
	6,653,823	6,486,261

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:					
At 1 April 2013	6,809	1,022	4,668	394	12,893
Additions	821	505	529	4	1,859
Disposals	–	(4)	(20)	–	(24)
Exchange realignment	125	12	69	1	207
At 31 March 2014 and 1 April 2014	7,755	1,535	5,246	399	14,935
Additions	7,985	1,325	3,655	1,073	14,038
Acquisition of a subsidiary (note 37)	–	43	36	–	79
Disposals	–	(485)	(770)	(342)	(1,597)
Exchange realignment	9	2	5	1	17
At 31 March 2015	15,749	2,420	8,172	1,131	27,472
Accumulated depreciation:					
At 1 April 2013	(2,747)	(750)	(2,218)	(194)	(5,909)
Charge for the year	(1,171)	(177)	(816)	(115)	(2,279)
Disposals	–	–	20	–	20
Exchange realignment	(51)	(9)	(39)	(1)	(100)
At 31 March 2014 and 1 April 2014	(3,969)	(936)	(3,053)	(310)	(8,268)
Charge for the year	(1,305)	(337)	(962)	(230)	(2,834)
Disposals	–	485	770	313	1,568
Exchange realignment	(6)	(1)	(4)	–	(11)
At 31 March 2015	(5,280)	(789)	(3,249)	(227)	(9,545)
Net carrying amount:					
At 31 March 2014	3,786	599	2,193	89	6,667
At 31 March 2015	10,469	1,631	4,923	904	17,927

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost			
At 1 April 2013 and 31 March 2014 and 1 April 2014	376	342	718
Additions	29	518	547
Disposals	–	(342)	(342)
At 31 March 2015	405	518	923
Accumulated depreciation:			
At 1 April 2013	(277)	(142)	(419)
Charge for the year	(35)	(115)	(150)
At 31 March 2014 and 1 April 2014	(312)	(257)	(569)
Charge for the year	(29)	(166)	(195)
Disposals	–	313	313
At 31 March 2015	(341)	(110)	(451)
Net carrying amount:			
At 31 March 2014	64	85	149
At 31 March 2015	64	408	472

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

16. INVESTMENT PROPERTIES

Group

	Investment properties HK\$'000
Cost:	
At 1 April 2013	2,600
Exchange realignment	48
	<hr/>
At 31 March 2014 and 1 April 2014	2,648
Exchange realignment	3
	<hr/>
At 31 March 2015	2,651
	<hr/>
Accumulated depreciation:	
At 1 April 2013	(750)
Charge for the year	(327)
Exchange realignment	(15)
	<hr/>
At 31 March 2014 and 1 April 2014	(1,092)
Charge for the year	(328)
Exchange realignment	(1)
	<hr/>
At 31 March 2015	(1,421)
	<hr/>
Net carrying amount:	
At 31 March 2014	1,556
	<hr/>
At 31 March 2015	1,230
	<hr/>

As at 31 March 2015, investment properties with a carrying amount of HK\$1,230,000 (2014: HK\$1,556,000) represent certain restricted properties situated in Mainland China 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 Renminbi ("RMB") 2,100,000, equivalent to approximately HK\$2,600,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

16. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement as at 31 March 2015 using				
Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000		Total HK\$'000
Recurring fair value measurement for:				
Investment properties	–	–	2,600	2,600

The key input of the valuation is based on the recoverable amount expected received from government.

17. INTANGIBLE ASSETS

Group

	HK\$'000
Cost:	
At 1 April 2013	398,649
Exchange realignment	7,298
At 31 March 2014 and 1 April 2014	405,947
Exchange realignment	492
At 31 March 2015	406,439
Accumulated amortisation:	
At 1 April 2013	(8,068)
Charge for the year	(3,728)
Exchange realignment	(142)
At 31 March 2014 and 1 April 2014	(11,938)
Charge for the year	(2,053)
Exchange realignment	(16)
At 31 March 2015	(14,007)
Net carrying amount:	
At 31 March 2014	394,009
At 31 March 2015	392,432

Intangible assets represented the cemetery licence, which was acquired by business combination of a subsidiary, Zhejiang Anxian Yuan, in the year of 2010. The accounting policy including the amortisation basis is set out in note 2.4.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	2014
	HK\$'000	HK\$'000
Unlisted shares, at cost	9	9

The amounts due from subsidiaries included in the Company's current assets of HK\$445,820,000 (2014: HK\$426,810,000) are unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued and fully paid share/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chong Sun Securities Limited	British Virgin Islands/ Mainland China	US\$1	100%	–	Inactive
Asset Direct Trading Limited	British Virgin Islands/ Mainland China	US\$1	100%	–	Inactive
Capital Spirit Limited	British Virgin Islands/ Mainland China	US\$1	100%	–	Inactive
Krongate Limited	British Virgin Islands/ Mainland China	US\$1,000	100%	–	Inactive
Kylinfield Limited	British Virgin Islands/ Mainland China	US\$100	100%	–	Investment holding
Sino Grandeur Limited ("Sino Grandeur")	British Virgin Islands/ Mainland China	US\$1	–	100%	Investment holding
China Boon Holdings Limited (formerly known as China Boon Development Holdings Limited)	Hong Kong/ Mainland China	HK\$1	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Issued and fully paid share/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Grand Elegant Limited	Hong Kong/ Mainland China	HK\$1	–	100%	Group's administration
Anxian Yuan (HK) Limited	Hong Kong/ Mainland China	HK\$1	–	100%	Investment holding
浙江安賢陵園有限責任公司 (Zhejiang Anxian Yuan Company Limited) ("Zhejiang Anxian Yuan")	PRC/Mainland China	RMB85,000,000	–	98.38%*	Cemetery business
Jia Yuan Trading Limited ("Jia Yuan")	British Virgin Islands/ Mainland China	US\$1	–	100%	Investment holding
Hirise Corporation Limited ("Hirise")	Hong Kong/ Mainland China	HK\$1	–	100%	Investment holding
中福園林設計(杭州)有限公司 (China Boon Landscape Design (Hangzhou) Co., Ltd.)	PRC/Mainland China	US\$1,000,000	–	100%*	Cemetery business
安賢園(上海)陵園投資管理 有限公司 (Anxian Yuan (Shanghai) Cemeteries Investment Management Company Limited) ("Shanghai Anxian Yuan")	PRC/Mainland China	US\$330,700	–	100%*	Cemetery business
河北安賢園喪葬用品銷售有限公 司 (Hebei Anxian Yuan Funeral Product Supply Co., Ltd.) ("Hebei Anxian Yuan")	PRC/Mainland China	RMB3,000,000	–	51%*/**	Cemetery business

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Issued and fully paid share/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
貴州盤縣安賢園藝術陵園有限責任公司**** (Guizhou Pan County Anxian Yuan Cemetery Arts Company Limited) ("Guizhou Anxian Yuan")	PRC/Mainland China	RMB5,100,000	–	51%*/**	Cemetery business
杭州安賢園石材有限公司**** (Hangzhou Anxian Yuan Stone Co., Ltd.) ("Hangzhou Anxian Yuan")	PRC/Mainland China	RMB10,000	–	60%*/**	Cemetery business
杭州好樂天禮儀服務有限公司*** (Hangzhou Haoletian Etiquette Services Co., Ltd.) ("Hangzhou Haoletian")	PRC/Mainland China	RMB15,000,000	–	100%*	Cemetery business

* 中福園林設計(杭州)有限公司, Shanghai Anxian Yuan and Hangzhou Haoletian are registered as wholly-foreign-owned enterprises under PRC law.

Zhejiang Anxian Yuan, Hebei Anxian Yuan, Guizhou Anxian Yuan and Hangzhou Anxian Yuan are registered as limited liability enterprises under PRC law.

** Up to 31 March 2015, these companies are still in the pre-operating stage and the amount of the assets, liabilities and financial performance of these companies are not material to the Group.

*** During the year, the Group acquired Hangzhou Haoletian from individual shareholders. Further details of this acquisition are included in note 37 to the financial statements.

**** Newly established in the year ended 31 March 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

19. INVESTMENT IN AN ASSOCIATE

	2015 HK\$'000	2014 HK\$'000
Share of net assets	4,309	–
Goodwill on acquisition	65	–
	4,374	–

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Hangzhou Anbaishi Electronic commerce Limited ("Hangzhou Anbaishi")	Ordinary shares	PRC/ Mainland China	35%	Electronic commerce and sale of funeral products

Hangzhou Anbaishi, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the electronic commerce of funeral products.

The following table illustrates the summarised financial information of Hangzhou Anbaishi:

	2015 HK\$'000
Current assets	9,985
Non-current assets	2,816
Current liabilities	(490)
Net assets, excluding goodwill	12,311
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	35%
Group's share of net assets of the associate, excluding goodwill	4,309
Goodwill on acquisition	65
Carrying amount of the investment	4,374
Revenues	–
Loss for the year	(894)
Total comprehensive loss for the year	(894)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Unlisted equity investments, at cost	2,525	–

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 March 2015, the above unlisted equity investments with a carrying amount of HK\$2,525,000 (2014: Nil) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

21. CEMETERY ASSETS

	2015 HK\$'000	2014 HK\$'000 (Restated)
At 1 April		
Cost	84,353	84,056
Accumulated amortisation	(20,405)	(16,124)
Net carrying amount	63,948	67,932
During the year		
Opening net carrying amount	63,948	67,932
Additions	72,888	–
Transfer to inventories	(13,565)	(966)
Amortisation	(2,631)	(4,241)
Exchange realignment	87	1,223
Closing net carrying amount	120,727	63,948
At 31 March		
Cost	142,344	84,353
Accumulated amortisation	(21,617)	(20,405)
Net carrying amount	120,727	63,948

Cemetery assets mainly represent the construction cost of public facilities in the cemetery. Amortisation for cemetery assets is provided on a straight-line basis over their useful lives, which are 20 years for tree plantation and 40 years for landscape and roads.

Upon commencement of development of an area within the cemetery, the proportionate cemetery assets are transferred to inventories.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

22. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Intangible assets HK\$'000	Withholding tax HK\$'000	Interest capitalisation HK\$'000	Total HK\$'000
At 1 April 2013	(98,158)	(333)	(1,765)	(100,256)
Deferred tax credited/(charged) to profit or loss during the year (<i>note 11</i>)	1,065	(654)	324	735
Exchange differences	(1,797)	–	–	(1,797)
At 31 March 2014 and 1 April 2014	(98,890)	(987)	(1,441)	(101,318)
Deferred tax credited/(charged) to profit or loss during the year (<i>note 11</i>)	442	(1,371)	(1,272)	(2,201)
Exchange differences	(120)	–	–	(120)
At 31 March 2015	(98,568)	(2,358)	(2,713)	(103,639)

Deferred tax assets

	Deferred income HK\$'000	Decelerated tax amortisation HK\$'000	Impairment loss on investment properties HK\$'000	Total HK\$'000
At 1 April 2013 (restated)	1,578	2,219	588	4,385
Deferred tax charged to profit or loss during the year (<i>note 11</i>)	–	(333)	–	(333)
Exchange differences	–	40	12	52
At 31 March 2014 and 1 April 2014 (restated)	1,578	1,926	600	4,104
Deferred tax charged to profit or loss during the year (<i>note 11</i>)	(25)	(357)	–	(382)
Exchange differences	–	3	–	3
At 31 March 2015	1,553	1,572	600	3,725

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

22. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 HK\$'000	2014 HK\$'000 (Restated)
Net deferred tax liabilities recognised in the consolidated statement of financial position	(99,914)	(97,214)

The Group has tax losses arising in Hong Kong of HK\$104,443,000 (2014: HK\$93,350,000), subject to the agreement with the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2015 HK\$'000	2014 HK\$'000
Tax losses	106,367	94,075

Deferred tax assets have not been recognized in respect of tax losses amounting to HK\$106,367,000 and HK\$94,075,000 as at 31 March 2015 and 31 March 2014, respectively. The tax losses amounted to HK\$1,924,000 as at 31 March 2015 (31 March 2014: HK\$725,000) will be expired within next 5 years for offsetting against future taxable profits. The tax losses of HK\$104,443,000 as at 31 March 2015 (31 March 2014: HK\$93,350,000) are available indefinitely for offsetting against future taxable profits. Deferred tax assets have not been recognized as it is not considered probable that taxable profits will be available against which the above tax losses can be utilized.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors.

For the year ended 31 March 2015, due to the directors' assessment, the preferential tax rate of 5% could not be enjoyed due to the more rigorous local tax policy, the applicable rate has been changed to 10% (2014: 5%) to better comply with the tax policy.

The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Pursuant to the resolution of the board of directors of the Company, part of the PRC subsidiaries' profits generated from 1 January 2008 onwards will be retained by the PRC subsidiaries for use in future operations or investments in Mainland China. In the opinion of the directors, it is not probable that the PRC subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totalled approximately HK\$23,580,000 (2014: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

23. INVENTORIES

	2015 HK\$'000	2014 HK\$'000 (Restated)
Inventories		
– Tombs	144,707	118,320

As at 31 March 2015, inventories of approximately HK\$121,330,000 (2014: HK\$95,645,000) are expected to be recovered more than one year.

24. TRADE RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	22,458	125,404

The Group's trading terms with its customers are mainly on credit except for certain new customers where payment in advance is required. The average trade credit period ranges from 30 to 365 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk.

Trade receivables are unsecured and non-interest-bearing.

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

	2015 HK\$'000	2014 HK\$'000
Within 60 days	–	77,236
91 to 120 days	–	–
Over 365 days	22,458	48,168
	22,458	125,404

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

24. TRADE RECEIVABLES (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	–	77,236
31 to 365 days past due	–	–
Over 365 days past due	22,458	48,168
	22,458	125,404

As at 31 March 2015, trade receivables of HK\$22,458,000 (2014: HK\$68,661,000) related to a customer with good repayment history and no balance related to a new customer with repayment schedule (2014: HK\$56,743,000). 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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Prepayments	38,114	19,203	–	–
Deposits and other receivables	75,602	80,739	337	260
	113,716	99,942	337	260
Less: Provision for impairment loss	74,467	74,467	–	–
	39,249	25,475	337	260

	2015 HK\$'000	2014 HK\$'000
Prepayments:		
Analysed into:		
Current	23,280	19,203
Non-current	14,834	–
	38,114	19,203

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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 the short maturity periods on their inception.

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

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

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
At 1 April	74,467	81,784	-	7,317
Reversal of provision for impairment loss	-	(7,317)	-	(7,317)
At 31 March	74,467	74,467	-	-

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2015 HK\$'000	2014 HK\$'000
Cash and cash equivalents			
Cash and bank balances		81,506	10,703
Pledged time deposits	(a)	20,073	21,436
		101,579	32,139

As at 31 March 2015, the total of cash and cash equivalents and pledged time deposits of the Group denominated in Renminbi ("RMB") amounted to HK\$90,189,000 (2014: HK\$9,592,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. All cash and bank balances held at each of the reporting dates were deposited in the reputable banks and financial institutions in Hong Kong and Mainland China.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

Notes:

- (a) As at 31 March 2015, the Group's bank borrowings amounted to approximately HK\$18,824,000 (2014: HK\$18,914,000) and approximately HK\$78,905,000 (2014: HK\$25,219,000) are secured by the Group's bank deposits of approximately HK\$18,937,000 (2014: HK\$18,914,000) and the Group's deposits of approximately HK\$1,136,000 (2014: HK\$2,522,000) paid to the financial institute respectively.

27. TRADE PAYABLES

	Group	
	2015 HK\$'000	2014 HK\$'000
Trade payables	15,880	2,130

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

	2015	2014
	HK\$'000	HK\$'000
Within 90 days	455	1,531
91 to 180 days	15,425	–
Over 1 year	–	599
	15,880	2,130

The trade payables are non-interest-bearing and are normally settled from 90 days to 3 years.

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Accruals	4,230	9,794	831	516
Deposits received	1,792	1,262	–	–
Other payables	1,696	33,997	915	10
	7,718	45,053	1,746	526

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

29. DEFERRED INCOME

	HK\$'000	
At 1 April 2013 (Restated)		11,553
Additions during the year		5,520
Released to profit or loss		(1,024)
Exchange realignment		153
At 31 March 2014 and 1 April 2014 (Restated)		16,202
Additions during the year		1,368
Released to profit or loss		(2,223)
Exchange realignment		14
At 31 March 2015		15,361
	2015	2014
	HK\$'000	HK\$'000
		(Restated)
Analysed into:		
Current	2,271	2,140
Non-current	13,090	14,062
	15,361	16,202

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

30. INTEREST-BEARING BANK BORROWINGS

2015			
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans – secured:			
Pledged (<i>note (a)</i>)	7.02	November 2015	18,824
Guaranteed (<i>note (b)</i>)	6.42-7.56	May 2015-March 2016	18,937
Pledged and guaranteed (<i>note (c)</i>)	6.72-7.2	May 2015-November 2015	78,905
			116,666
Non-current			
Bank loans – secured:			
Pledged and guaranteed (<i>note (c)</i>)	6.9	November 2017	8,837
			125,503
2014			
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans – secured:			
Pledged (<i>note (a)</i>)	6.0-6.9	December 2014	18,914
Guaranteed (<i>note (b)</i>)	6.0-7.98	June 2014-November 2014	58,004
Pledged and guaranteed (<i>note (c)</i>)	5.75-6.6	November 2014	25,219
			102,137
			102,137

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

30. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

	2015 HK\$'000	2014 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	116,666	102,137
In the second year	–	–
In the third to fifth years, inclusive	8,837	–
	125,503	102,137

Notes:

- (a) The balances are secured by the pledge of certain of the Group's bank deposits amounting to HK\$18,937,000 (note 26) (2014: HK\$18,914,000).
- (b) The balances are guaranteed by certain directors of the Company and their family members, a non-controlling shareholder of a subsidiary and an independent third party.
- (c) The balances are secured by the pledge of certain of the Group's bank deposits amounting to HK\$1,136,000 (note 26) (2014: HK\$2,522,000) and guaranteed by certain directors of the Company and their family members, and a financial institution.
- (d) All bank borrowings as at 31 March 2015 and 2014 are denominated in RMB.

31. AMOUNT DUE TO A DIRECTOR

	2015 HK\$'000	2014 HK\$'000
Amount due to a director:		
Mr. Shi Hua	–	6,500

The balances are unsecured, non-interest-bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

32. PROMISSORY NOTES

On 7 January 2013, the Company issued the promissory notes ("PN") with a 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, which through Hirise, 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

The fair value of the PN is calculated based on the principal amount and simple interest of the PN and discounted at the effective interest rate of 7.84% per annum for the period before its maturity. The valuation of the PN as at the date of its issue was carried out by LCH, using the discounted cash flow approach by applying an appropriate discount rate on the estimated future cash outflows on repayment of the PN. The discount rate is derived from market risk-free rate and risk premium specific to the Company with reference to market sources. The fair value of the PN is recorded as financial liabilities stated at amortised cost in accordance with HKAS 39.

At the sole discretion of the Company, the PN can be repaid earlier, and no additional interest will be incurred if the PN are fully repaid prior to its maturity date. The early repayment option of the PN is regarded as an embedded derivative not closely related to the host contract (the PN). It shall be separately accounted for as a financial instrument at fair value through profit or loss. The directors of the Company consider that the fair value of the early repayment option was insignificant on initial recognition and as at the reporting date.

During the year, the Company repaid part of the PN amounting to HK\$12,538,000 (2014: HK\$22,000,000).

Movements of the PN are set out as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 April	12,074	30,144
Early repayments	(12,538)	(22,000)
Interest expenses	464	3,930
As at 31 March	-	12,074

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

33. CONVERTIBLE NOTES

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

The CN are unsecured, non-interest-bearing and will mature on the 5th anniversary of the date of issue of the CN (the “Maturity Date”). The conversion price, subject to the anti-dilution adjustments, is HK\$0.10 per conversion share. The CN can be converted in whole or in part into conversion shares at any time following the date of issue until one working day prior to the Maturity Date. Any CN which remain outstanding on the Maturity Date shall be converted automatically into the conversion shares unless such conversion will result in (1) a holder of the CN and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 29% or more of the entire issued shares of the Company or such percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Merger as being the level for triggering a mandatory general offer, whichever is lower, or (2) the Company will be in breach of the minimum public float requirement under the Listing Rules. In such events, the maturity date of the CN will be extended for further 5 years. Any CN which remain outstanding on the extended maturity date shall be converted automatically into the conversion shares. All outstanding CN which are not converted thereafter will be cancelled by the Company and fully waived without any cost or will not be converted into the debt of the Company. Holders of the CN will have no right to redeem and the Company has no obligation to repay the outstanding amount.

The CN are accounted for as an equity instrument in accordance with HKAS 32 as the entire number of the CN must be converted into conversion shares on or before the Maturity Date or the extended maturity date of this CN, and anti-dilution adjustment clauses in the CN are not breached the fixed-for-fixed rule in HKAS 32. The fair value of the CN at the date of its issue was carried out by LCH. The CN were priced as prepaid forward, an arrangement in which one can pay for the stock today and receive the stock at an agreed-upon date. Generally, the price of a prepaid forward is equal to the spot asset price. In valuing the CN, adjustment has been made for the dilution effect of the issue of the CN.

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

On 23 April 2013 and 24 December 2013, part of the CN with an aggregate amount of HK\$85,000,000 and HK\$47,000,000 were converted at the conversion price of HK\$0.10 each into 850,000,000 and 470,000,000 ordinary shares of the Company at HK\$0.10 each, respectively (note 34(a)).

On 25 February 2015 and 25 March 2015, part of the CN with an aggregate amount of HK\$30,000,000 and HK\$15,000,000 were converted at the conversion price of HK\$0.10 each into 300,000,000 and 150,000,000 ordinary shares of the Company at HK\$0.10 each, respectively (note 34(d)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

34. SHARE CAPITAL

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

	Number of shares (<i>'000</i>)	Nominal value HK\$ <i>'000</i>
Authorised:		
Upon incorporation, and at 1 April 2013, 31 March 2014 and 31 March 2015	10,000,000	1,000,000
	Number of shares (<i>'000</i>)	Nominal value HK\$ <i>'000</i>
Issued and fully paid:		
At 1 April 2013	3,120,623	312,062
Conversion of convertible notes on 23 April 2013 and 24 December 2013 (<i>Note (a)</i>)	1,320,000	132,000
At 31 March 2014 and 1 April 2014	4,440,623	444,062
Issue of shares (<i>Note (b)</i>)	320,000	32,000
Equity-settled share option arrangements (<i>Note (c)</i>)	81,000	8,100
Conversion of convertible notes on 25 February 2015 and 25 March 2015 (<i>Note (d)</i>)	450,000	45,000
At 31 March 2015	5,291,623	529,162

Notes:

(a) On 23 April 2013, part of the CN with an aggregate principal amount of HK\$85,000,000 with a corresponding fair value of HK\$38,008,000 were converted at the conversion price of HK\$0.10 each into 850,000,000 ordinary shares of the Company 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, further of the CN with an aggregate principal amount of HK\$47,000,000 with a corresponding fair value of HK\$21,016,000 were converted at the conversion price of HK\$0.10 each into 470,000,000 ordinary shares of the Company 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 30 September 2014, 320,000,000 shares with a value of HK\$0.17 each were issued and allotted to public shareholders at a net cash proceeds of HK\$54,339,000.

(c) The subscription rights attaching to 81,000,000 share options were exercised at the subscription price of HK\$0.101 per share (note 36), resulting in the issue of 81,000,000 shares for a total cash consideration of HK\$8,181,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

34. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

- (d) On 25 February 2015, part of the CN with an aggregate principal amount of HK\$30,000,000 (corresponding fair value of HK\$13,415,000) were converted at the conversion price of HK\$0.10 each into 300,000,000 ordinary shares of the Company at HK\$0.10 each. An amount of HK\$16,585,000, 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 25 March 2015, part of the CN with an aggregate principal amount of HK\$15,000,000 with a corresponding fair value of HK\$6,707,000 were converted at the conversion price of HK\$0.10 each into 150,000,000 ordinary shares of the Company at HK\$0.10 each. An amount of HK\$8,293,000, representing the difference between the principal amount of the shares and the corresponding fair value of the CN, was charged to share premium account.

All new shares issued during the years ended 31 March 2015 and 2014 rank pari passu with other shares in issue in all respects.

35. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 37 of the financial statements.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their Boards of Directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of such reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the Company. The statutory surplus reserve can be utilised to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

Distributable reserve

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those that are reflected in this report which is prepared in accordance with HKFRSs.

In accordance with the Company Law of the PRC, profits after tax of the PRC companies can be distributed as dividends after the appropriation to the SRF as set out above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

35. RESERVES (CONTINUED)

Company

	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Convertible notes fund HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2013	298,272	18,373	147,560	(358,960)	105,245
Lapse of share options (note 36)	-	(1,491)	-	1,491	-
Conversion of convertible notes (note 33)	(72,976)	-	(59,024)	-	(132,000)
Loss for the year	-	-	-	(9,018)	(9,018)
Balance at 31 March 2014	225,296	16,882	88,536	(366,487)	(35,773)
Issue of shares	22,339	-	-	-	22,339
Exercise of share options (note 36)	2,689	(2,608)	-	-	81
Lapse of share options (note 36)	-	(129)	-	129	-
Conversion of convertible notes (note 33)	(24,878)	-	(20,122)	-	(45,000)
Loss for the year	-	-	-	(17,895)	(17,895)
Balance at 31 March 2015	225,446	14,145	68,414	(384,253)	(76,248)

Loss of approximately HK\$17,895,000 (2014: HK\$9,018,000) for the year included impairment loss on the outstanding balances due from subsidiaries of approximately HK\$1,165,000 (2014: HK\$2,798,000). The movements in provision for impairment of amounts due from subsidiaries are as follows:

	2015 HK\$'000	2014 HK\$'000
At the beginning of year	103,780	100,982
Impairment losses recognised	1,165	2,798
At the end of year	104,945	103,780

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

36. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the directors, employees, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, consultant or adviser to the Group, any shareholders of the Group or any company wholly owned by one or more persons belonging to any of the participants described above. The Scheme became effective on 18 July 2008 (the “Adoption Date”) and will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the Adoption Date (the “Scheme Mandate Limit”). This Scheme Mandate Limit can be refreshed by the shareholders’ approval in general meeting. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at the offer date. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant mentioned hereinafter, the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such other high percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period, if any, and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company’s shares.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing shares. The share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

36. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Share Option Scheme during the year:

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 April 2013	0.209	319,162
Lapsed during the year	0.230	(23,400)
At 31 March 2014 and 1 April 2014	0.207	295,762
Exercised during the year	0.101	(81,000)
Lapsed during the year	0.101	(4,000)
At 31 March 2015		210,762

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.144 per share (2014: No share options were exercised).

During the year, 4,000,000 (2014: 23,400,000) share options were lapsed after three months from the date when the directors and employees resigned and left the Group. The share-based compensation reserve of approximately HK\$129,000 (2014: HK\$1,491,000) was released to accumulated losses accordingly.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2015 Number of options '000	Exercise price HK\$ per share	Exercise period
16,000	0.604	31 July 2009 to 17 July 2018
23,500	0.435	7 July 2010 to 17 July 2018
2,000	0.604	31 July 2010 to 17 July 2018
1,200	0.415	26 October 2010 to 17 July 2018
123,062	0.101	3 April 2012 to 17 July 2018
45,000	0.415	3 April 2012 to 17 July 2018
210,762		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

36. SHARE OPTION SCHEME (CONTINUED)

2014 Number of options '000	Exercise price HK\$ per share	Exercise period
16,000	0.604	31 July 2009 to 17 July 2018
27,000	0.101	31 July 2009 to 17 July 2018
23,500	0.435	7 July 2010 to 17 July 2018
2,000	0.604	31 July 2010 to 17 July 2018
1,200	0.415	26 October 2010 to 17 July 2018
181,062	0.101	3 April 2012 to 17 July 2018
45,000	0.415	3 April 2012 to 17 July 2018
<hr/> 295,762 <hr/>		

All options outstanding as at 31 March 2015 (2014: All) were exercisable. The options outstanding at 31 March 2015 had a weighted average remaining contractual life of 3.2 years (2014: 4.2 years).

During the year, no share options were vested and expensed (2014: Nil). No liabilities were recognised as these were all equity-settled share-based payment transactions.

At the end of the reporting period, the Company had 210,762,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 210,762,000 additional ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

37. BUSINESS COMBINATION

On 5 November 2014, the Group acquired 100% equity in Hangzhou Haoletian from four independent individual shareholders. Hangzhou Haoletian is engaged in providing cemetery and funeral services and Mr. Shi Hua is a director of Hangzhou Haoletian. The acquisition was made as part of the Group's strategy to expand its market share of the cemetery business. The purchase consideration for the acquisition equivalent to HK\$9,796,000 was in the form of cash, which was fully paid on 6 November 2014.

The fair values of the identifiable assets and liabilities of Hangzhou Haoletian as at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition HK\$'000
Cash and bank balances		161
Trade receivables		63
Prepayments and other receivables		32,338
Inventories		147
Investment in an associate		2,816
Property, plant and equipment	15	79
Trade payables		(233)
Accruals and other payables		(125)
Interest-bearing bank borrowings		(25,237)
Total identifiable net assets at fair value		10,009
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	6	(213)
Satisfied by cash		9,796

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK\$'000
Cash consideration	(9,796)
Cash and bank balances acquired	161
Net outflow of cash and cash equivalents included in cash flows from investing activities	(9,635)

Since the acquisition, Hangzhou Haoletian contributed HK\$1,933,000 to the Group's revenue and HK\$404,000 to the consolidated profit for the year ended 31 March 2015.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK\$100,211,000 and HK\$30,929,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

Trade receivables

During the year ended 31 March 2015, a trade receivables of RMB5,645,000 (equivalent to approximately HK\$7,127,000) has been settled through offsetting the same amount of trade payable to the same company with no impact on profit or loss.

39. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 30 to the financial statements.

40. OPERATING LEASE COMMITMENTS

As lessee

The Group and the Company lease a number of office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to three years, with option to renew the leases and renegotiate the terms at the respective expiry dates or at dates as mutually agreed between the Group/Company and the respective landlords/lessors.

At 31 March 2015, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Within one year	2,385	1,395	1,887	842
In the second to fifth years, inclusive	837	588	593	–
	3,222	1,983	2,480	842

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitments at the end of the reporting period:

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for:		
Potential investment in a PRC company	–	8,827
Proposed acquisition of land use rights	10,137	13,757
Project construction	53	–
	10,190	22,584

Company

At the end of the reporting period, the Company did not have any significant commitments.

42. RELATED PARTY TRANSACTIONS

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

(a) Significant transactions with related parties

Details of the significant transactions with related parties are set out in note 46 to the financial statements.

(b) Outstanding balances with related parties

The Group had no outstanding balance due to a director (2014: HK\$6,500,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment. Further details are given in note 31.

(c) Compensation of key management personnel of the Group

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 of the Company. Details of the key management remuneration are set out in note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

Financial assets

	Loans and receivables HK\$'000	Available-for- sale financial assets HK\$'000	Total HK\$'000
Available-for-sale investments	–	2,525	2,525
Trade receivables	22,458	–	22,458
Financial assets included in prepayments, deposits and other receivables	1,135	–	1,135
Pledged deposits	20,073	–	20,073
Cash and cash equivalents	81,506	–	81,506
	125,172	2,525	127,697

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade payables	15,880
Financial liabilities included in other payables and accruals (<i>note 28</i>)	5,926
Interest-bearing bank borrowings	125,503
Amount due to a non-controlling shareholder	1,171
	148,480

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

43. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2014

Financial assets

	Loans and receivables HK\$'000
Trade receivables	125,404
Financial assets included in prepayments, deposits and other receivables	6,272
Pledged deposits	21,436
Cash and cash equivalents	10,703
	<u>163,815</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade payables	2,130
Financial liabilities included in other payables and accruals (note 28)	43,791
Promissory notes	12,074
Interest-bearing bank borrowings	102,137
Amount due to a director	6,500
Amount due to a non-controlling shareholder	1,144
	<u>167,776</u>

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Financial liabilities				
Interest-bearing bank borrowings	125,503	102,137	125,567	102,137
Promissory notes	–	12,074	–	12,074
	125,503	114,211	125,567	114,211

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amount due to a director, amount due to a non-controlling shareholder and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 March 2015 was assessed to be insignificant.

Liabilities for which fair values are disclosed:

As at 31 March 2015

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Interest-bearing bank borrowings	–	125,567	–	125,567

As at 31 March 2014

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Interest-bearing bank borrowings	–	102,137	–	102,137
Promissory notes	–	–	12,074	12,074
	–	102,137	12,074	114,211

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities.

The Group does not have written risk management policies and guidelines. Generally, the Group employs a conservative strategy regarding its risk management. Financial risk management is coordinated at the Group's headquarter, in close co-operation with the board of directors periodically. Overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels. As the Group's exposure to market risk (including currency risk and interest rate risk), credit risk and liquidity risk are kept at a minimum level, the Group has not used any derivative or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing assets (cash at banks and pledged bank deposits) and interest-bearing liabilities (bank borrowings and promissory notes) carried at effective interest rates with reference to the market (notes 26, 30 and 32). The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group's cash at banks is considered minimal.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and there is no impact on the Group's equity except for accumulated losses.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK\$'000
2015		
RMB	50	(40)
RMB	(50)	40
2014		
RMB	50	(116)
RMB	(50)	116

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates.

The Group's business transactions, assets and liabilities are denominated in HK\$ and RMB and the functional currencies of the Group's principal operating entities are HK\$ and RMB.

The Group currently does not have foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and considers hedging significant foreign currency exposure should the need arise. The Company does not have significant exposure to foreign currency risk both at 31 March 2015 and 31 March 2014.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The carrying amounts of financial assets presented in the consolidated statement of financial position are net of impairment losses, if any. The Group minimises its exposure to the credit risk by rigorously selecting the counterparties, performing ongoing credit evaluation on the financial conditions of its debtors and tightly monitoring the ageing of the receivables.

Follow-up actions are taken in case of overdue balances on an ongoing basis. In addition, management monitors and reviews the recoverable amount of the receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. It is not the Group's policy to request collateral from its customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group had certain concentrations of credit risk as 100% (2014: 55%) and 100% (2014: 100%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the cemetery business segment. However, management of the Group closely monitors the progress of collecting the payments from the customer and reviews the overdue balance regularly. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, is limited because almost all of the Group's bank deposits are deposited with major banks located in Hong Kong and the PRC.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 24 and 25, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group is exposed to liquidity risk in respect of settlement of trade payables, accruals and other payables, amount due to a non-controlling shareholder, amount due to a director, bank borrowings, promissory notes and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed credit lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring the cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis. Long term liquidity needs for 180-day and 365-day lookout periods are identified monthly.

The Group's liquidity is mainly dependent upon the cash received from its trade customers and fund raising activities. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2015

	Within 1 year or on demand HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	15,880	–	15,880
Other payables and accruals	5,926	–	5,926
Interest-bearing bank borrowings	124,416	9,088	133,504
Amount due to a non-controlling shareholder	1,171	–	1,171
	147,393	9,088	156,481

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

2014

	Within 1 year or on demand HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	2,130	–	2,130
Other payables and accruals	43,791	–	43,791
Interest-bearing bank borrowings	106,403	–	106,403
Promissory notes	–	13,674	13,674
Amount due to a non-controlling shareholder	1,144	–	1,144
Amount due to a director	6,500	–	6,500
Financial guarantees issued	29,002	–	29,002
	188,970	13,674	202,644

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets exceed the cash outflow requirements.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditures and projected strategic investment opportunities and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2015 and 31 March 2014.

The Group regards total equity attributable to the owners of the parent presented on the face of the consolidated statement of financial position as capital, for capital management purposes. The amount of capital as at 31 March 2015 amounted to approximately HK\$543,205,000 (2014: HK\$442,665,000), which management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

The Group is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

46. FINANCIAL GUARANTEES

At 31 March 2015, the Group had no financial guarantee.

At 31 March 2014, Zhejiang Anxian Yuan provided financial guarantees as security for bank facilities granted to (i) Fuan Yimin, the non-controlling shareholder of Zhejiang Anxian Yuan and Mr. Shi Hua is the legal representative of Fuan Yimin with significant control, with the aggregate amount of RMB20,000,000 (equivalent to approximately HK\$25,219,000), of which RMB20,000,000 (equivalent to approximately HK\$25,219,000) has been fully utilised and (ii) Hangzhou Haoletian, a related company during the year ended 31 March 2014 of which Mr. Shi Hua is the common director, with the aggregate amount of RMB3,000,000 (equivalent to approximately HK\$3,783,000), of which RMB3,000,000 (equivalent to approximately HK\$3,783,000) has been fully utilised. 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.

47. EVENTS AFTER THE REPORTING DATE

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

48. COMPARATIVE AMOUNTS

As further explained in note 4 to the financial statements, due to the prior year adjustments, the presentation and disclosure of certain items and balances in the financial statements have been revised to comply with the current year's disclosure and accounting treatment. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation, disclosures and accounting treatment and a third consolidated statement of financial position as at 1 April 2013 has been presented.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2015.

GLOSSARY

In this annual report (other than the report and financial statements from pages 31 to 108), the following expressions shall have the following meanings unless the context otherwise requires:

Bye-laws	the bye-laws of the Company, as amended from time to time
Code	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the Listing Rules
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
Company Secretary	The company secretary of the Company
Director(s)	the director(s) of the Company
Executive Director(s)	the executive Director(s)
Group	the Company and its subsidiaries
HKAS	the Hong Kong Accounting Standards issued by the HKICPA
HKFRS(s)	the Hong Kong Financial Reporting Standards, collectively includes all applicable individual Hong Kong Financial Reporting Standards, HKAS and Interpretations issued by the HKICPA
HKICPA	the Hong Kong Institute of Certified Public Accountants
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Independent Non-executive Director(s)	the independent non-executive Director(s)
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Nomination Committee	the nomination committee of the Company
Non-executive Director(s)	the non-executive Director(s)
PRC	the People's Republic of China, which for the purpose of this report exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Remuneration Committee	the remuneration committee of the Company

GLOSSARY

SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SGM	Special general meeting of the Company
Shanghai Anxian Yuan	安賢園(上海)陵園投資管理有限公司 (in English, for identification purpose 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
Year	the year ended 31 March 2015
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