



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 2016

www.anxianyuanchina.com

* For Identification Purposes Only

CONTENTS

	Page
CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
MANAGEMENT DISCUSSION AND ANALYSIS	4
BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT	8
DIRECTORS' REPORT	12
FIVE YEAR SUMMARY	22
CORPORATE GOVERNANCE REPORT	23
REPORT AND FINANCIAL STATEMENTS	
INDEPENDENT AUDITOR'S REPORT	34
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	36
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	37
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	38
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	40
CONSOLIDATED STATEMENT OF CASH FLOWS	41
NOTES TO THE FINANCIAL STATEMENTS	43
GLOSSARY	121

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 distinguished shareholders:

On behalf of board of directors of Anxian Yuan China Holdings Ltd, I hereby present the annual financial performance report till March, 31, 2016.

The world economy saw a recession and the lowest growth in the six years in 2015. Despite the mounting downward pressure on the economy in China, the funeral industry boomed against the trend. The funeral is the top priority of every family promoted by many factors such as aging population and urbanization etc. This year Anxian Yuan was devoted to creating life service industry based on “funeral industry” by surrounding its core business. According to its development strategy and annual work tone of “standard management, steady progress and safe operation”, Anxian Yuan not only improves its core project operation ability, but expands the domestic market so as to further lay a solid foundation for Group's sustainable development.

As a core project of the Group, Zhejiang Anxian Yuan sustained strong profitability with new performance records in 2015. Meanwhile, under the horizontal integrated strategic deployment of board of directors and management layer, the Group acquired two high-quality projects including Yin Chuan Fu Shou Yuan and Zunyi Dashenshan in 2015 financial year. In order to meet changing demands, our Company is committed to further optimizing business, management and operation system. The Group has made remarkable achievements in various aspects, which lays a solid foundation for the Group's sustainable development and makes itself a leading brand in “funeral service industry”.

As the earliest listed company dominated by domestic funeral business on the main board of Stock Exchange of Hong Kong, our Company has accumulated rich experience and formed rather advanced funeral concept in the long-term cemetery management and service process in Mainland China. During the practices of building funeral culture imbued with “Chinese characteristics, time characteristics and regional characteristics”, we try to make our brand a cultural one to attract the public attention by making the funeral parlor the final destination of life and the cemetery as a spiritual homeland.

The achievements we have made today and will make in future depend on joint efforts of all sectors of society and all the staff. Here, by taking this opportunity, and on behalf of the board of directors, I wish to extend my heartfelt gratitude and sincere respect to all shareholders, partners, management layer and staff!

In the new financial year of 2016, our Group is making efforts to expand core business market, strengthen management and integration of various subsidiary companies and inject Anxian Yuan's humanistic spirit and working concept aiming to construct a solid foundation for further sustainable development. Further, our Group continues to promote the modernization process of funeral industry in China through mature management experience, acute industry insight and contemporary innovative spirit. During the process of constantly improving ourselves, our Group conducts all-around strategic upgrading on the framework of management layer and strategic layout of overall business, to lay a foundation for the rapid development in the future. As a pioneer in the funeral industry in China, we strive to establish a new concept in this industry, and return to society and our clients with sincerity and perspiration and return to our shareholders and investors with the best performances.

Shi Hua
Chairman

Hong Kong, 29 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With the escalation of the aging process and urbanization in China, the total population in 2015 had exceeded 1.36 billion, of which the aging population over 65 years old reached 137 million, accounting for 10.1% of the total. The funeral service involves thousands of families. In the future, Chinese funeral industry will be kept on the fast track for the long run. With sufficient land reserve, accelerated M&A speed, increased input and gradually shaped industry layout, the Group is giving play to its late-developing advantages constantly. It can be predicated that in near future our Group can form a new situation where Hangzhou flagship project achieves sustainable growth and newly acquired projects achieve rapid growth.

The core project Zhejiang Anxian Yuan achieved sustainable and rapid growth, completed operation objectives, created the best performance since its establishment and maintained strong profitability.

Located in Shanghai Free Trade Zone, the Group's wholly-owned subsidiary Shanghai Anxian Yuan has made a contract to acquire Yin Chuan Fu Shou Yuan and Zunyi Dashenshan. Yin Chuan Fu Shou Yuan is characterized by standard operation and strong development in Ningxia. Based on strategy of "hundred-year cemetery" and "leading in west China" and guided by the ideas of "steady transition, transforming and upgrading, and getting results as early as possible", our Group takes full advantage of its standard and sincerity according to the principles of "public satisfaction, government satisfaction and employee satisfaction". The cemetery construction and management service are promoted effectively based on "quality, taste and brand" in order to "make profits from upgrading, operation and acquisition". Zunyi Dashenshan is another attempt of the Group to enter into funeral market in west China. As a historical and cultural city with rich human resource, Zunyi ranked the second in Guizhou in its permanent population and second only to Guiyang City in economic total. This project has combined the functions of both funeral parlor and cemetery. With great development space on funeral service, the funeral parlor can promote cemetery sales and achieve linkage between operation and service. At present, our Group has completed the planning design as "funeral reform demonstration base in Guizhou Province" and "life culture education base". This project has entered into construction phase.

In order to form a balanced industrial layout of "coffining" and "burying", the Hangzhou Haoletian project is accelerating its upgrading and transforming. The renovation on hardware facilities is almost completed with an aim to "provide a delicate environment and sincere services". Hangzhou Haoletian will become an important source of main income of the Group. After purchasing Hangzhou Haoletian, the Group started to transform from only providing "burying" service to providing both "coffining and buying". Further, the Group attempts to extend its business to aging industry and by doing so can locate customers in advance.

Meanwhile, our Group launches Operation and Management Training Class of Anxian Yuan Group aiming to integrate domestic funeral business development and management, expand core business efficiently, cultivate professional talents and improve talent structure. Further, this measure will be institutionalized so that it could become a cradle for operation and management talents. By doing so, it can solve the contradictions between the talent shortage and the rapid expansion of the Group and thus promote sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

In this new year, our Group will focus on four aspects including expansion, rationalization, improvement and efficiency: select outreach programs with emphasis on “quality”; the acquired programs will be promoted according to orders of “rationalization, improvement and efficiency” so as to achieve expected goals of newly acquired ones to become a new growth point of the Group; conduct active layout in small and medium cities with good market prospect and rich funeral resources; conduct strategic cooperation with local government; implant operation concept and management experience of Anxian Yuan gradually at the time of supporting and promoting local funeral reform; in this way, a good market environment will be created for Group’s merger and acquisition based on well-grounded development.

FINANCIAL REVIEW

For the Year, the Group recorded net profit of approximately HK\$9.8 million (2015: approximately HK\$38.1 million) on turnover of approximately HK\$108 million (2015: approximately HK\$97.4 million). Decrease in the Group’s net profit by approximately HK\$28.3 million year-on-year was mainly attributable to write-back of business tax accrual for approximately HK\$32.8 million in last year (note 5 to the financial statements). The tomb sales and unit of tomb sold for our core member, Zhejiang Anxian Yuan, were approximately HK\$97.2 million and 1,108 tombs respectively (2015: approximately HK\$93.2 million and 1,183 tombs).

To support the Group’s expansion, during the Year, the Group raised approximately HK\$139 million in aggregate by issuance of bonds and convertible bonds (2015: approximately HK\$54.3 million by placing shares). Gross assets and net assets of the Group as at 31 March 2016 were approximately HK\$1,221 million (2015: approximately HK\$847 million) and approximately HK\$590 million (2015: approximately HK\$552 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the net cash inflow was approximately HK\$32.2 million (2015: approximately HK\$70.8 million). As at 31 March 2016, the cash and cash equivalents of the Group was approximately HK\$109.9 million (2015: approximately HK\$81.5 million). The Group had short term bank borrowings of approximately HK\$59.1 million (2015: approximately HK\$116.7 million) and long term bank and other borrowings of approximately HK\$157 million (2015: approximately HK\$8.8 million) as at 31 March 2016.

On 17 November 2015, the Company issued guaranteed and secured bonds and guaranteed and secured convertible bonds with principle amounts of approximately HK\$90 million and approximately HK\$50 million respectively. The aggregate net cash proceeds from such issuances amounted to approximately HK\$139 million and were intended to be applied for general working capital and/or acquisition of assets as disclosed in the Company’s announcement dated 2 November 2015. Further details of the issuances are set out in note 28 and 30 to the financial statements. As at 31 March 2016, the Company had utilised approximately HK\$49.7 million of the net proceeds for acquisition of assets and approximately HK\$11.6 million as general working capital.

GEARING RATIO

The gearing ratio (total liabilities/total assets) at the end of the Year was 0.52 (2015: 0.35).

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON ASSETS

As at 31 March 2016, the Group's bank deposits of approximately HK\$30 million (2015: approximately HK\$18.9 million) are pledged for the Group's bank borrowings amounting to approximately HK\$26.1 million (2015: approximately HK\$18.9 million). In addition, the Group's deposits of approximately HK\$1.1 million (2015: approximately HK\$1.1 million) were paid to a financial institution as pledged deposits for certain other bank loans. Details are set out in note 24 and 28 to the financial statements.

LITIGATION

No outstanding litigation of the Group as at 31 March 2016 was noted.

FINANCIAL GUARANTEE

No outstanding financial guarantee of the Group as at 31 March 2016 was noted.

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 2016, the Group had 14 employees (including Directors) (2015: 14 employees) and 265 employees (2015: 155 employees) 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\$38.2 million (2015: approximately HK\$11.2 million), of which contribution to mandatory provident fund and share options granted were approximately HK\$150,000 (2015: approximately HK\$160,000) and HK\$8.6 million (2015: Nil) respectively. Details of the share options granted are set out in note 34 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSCRIPTION OF NEW SHARES

On 19 February 2016, the Company issued 66,930,000 shares with a value of HK\$0.161 each as part of the consideration for the Group's acquisition of the 70% equity interest in Yin Chuan Fu Shou Yuan. Further details are set out under "Acquisition and disposal of subsidiaries and associated companies" below and note 32 to the financial statements.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 31 December 2015, the Group acquired 70% of equity interest in Yin Chuan Fu Shou Yuan from third parties at a total consideration of approximately HK\$53.6 million. Yin Chuan Fu Shou Yuan is engaged in sale of burial plots and was acquired as part of the Group's strategy to expand its market share of the cemetery business. The purchase consideration for the acquisition was partly in the form of cash, and partly in the form of issued shares. As at 31 March 2016, consideration of approximately HK\$19 million was paid by cash and approximately HK\$10.8 million was satisfied by issuance of Company's shares of 66,930,000. Further details are set out in the Company's announcement dated 2 December 2015 and in note 35 to the financial statements. Pursuant to the investment agreement, after completion of the acquisition, Shanghai Anxian Yuan will inject a sum of HK\$39,738,000 into the Yin Chuan Fu Shou Yuan as share premium. As at 31 March 2016, Shanghai Anxian Yuan has injected HK\$38,197,000 to Yin Chuan Fu Shou Yuan.

On 31 March 2016, the Group acquired 80% equity interest in Zunyi Dashenshan from third parties at a total consideration of approximately HK\$48 million. Zunyi Dashenshan is engaged in the sale of burial plots and was acquired as part of the Group's strategy to expand its market share of the cemetery business. As at 31 March 2016, a consideration of approximately HK\$9.6 million has been settled in cash. Further details are set out in the Company's announcement dated 30 March 2016 and in note 35 to the financial statements.

In March 2016, Shanghai Anxian Yuan entered into an equity interest transfer agreement with an independent third party to dispose of 51% equity interests in Hebei Anxian Yuan Funeral Product Supply Co., Ltd. at a consideration of approximately HK\$3.1 million. In March 2016, Shanghai Anxian Yuan also entered into an equity interest transfer agreement with an independent third party to dispose of 51% equity interests in Guizhou Pan County Anxian Yuan Cemetery Arts Co., Ltd. at a consideration of approximately HK\$6.1 million. Details are set out in note 36 to the financial statements.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Shi Hua, aged 64, 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 “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” of the Directors’ Report.

Mr. Shi Jun, aged 34, 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 “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” of the Directors’ Report.

Mr. Law Fei Shing, aged 56, was appointed as an Independent Non-executive Director on 4 June 2009 and was re-designated to Executive Director on 10 June 2009. He is also the company secretary and Deputy Chief Executive Officer of the Company as from 22 July 2011 and 23 January 2014 respectively.

Mr. Law is a certified public accountant practicing in Hong Kong. He is also a member of American Institute of Certified Public Accountants (AICPA), USA and associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA). Mr. Law has over 26 years of experience in the audit and accounting services.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Currently, Mr. Law is a non-executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355), 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 an executive director of China Assurance Finance Group Limited (stock code: 8090), 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. He was a company secretary of Orient Securities International Holdings Limited (stock code: 8001) from February 2009 to May 2016.

The interest in Shares of Mr. Law has been disclosed under the heading “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” of the Directors’ Report.

Ms. Shen Mingzhen, aged 62, 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 “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” of the Directors’ Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng Gang, aged 53, 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.

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.

The interest in Shares of Mr. Cheng has been disclosed under the heading "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" of the Directors' Report.

NON-EXECUTIVE DIRECTOR

Mr. Wang Hongjie, aged 62, 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).

The interest in Shares of Mr. Wang has been disclosed under the heading "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" of the Directors' Report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Koon Yung, aged 58, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The interest in Shares of Mr. Chan has been disclosed under the heading “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” of the Directors’ Report.

Mr. Lai Chun Yu, aged 39, 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”), an executive director of Amber Energy Limited (stock code: 90), whose shares are listed on the Main Board of the Stock Exchange, from April 2013 to June 2016 and had worked for one of the big four international accounting firms. Currently, Mr. Lai is a Company Secretary of Amber Energy Limited.

The interest in Shares of Mr. Lai has been disclosed under the heading “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” of the Directors’ Report.

Mr. Li Xigang, aged 53, 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 Oxygenator 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.

The interest in Shares of Mr. Li has been disclosed under the heading “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” of the Directors’ Report.

SENIOR MANAGEMENT

Mr. Leung Woon Che, aged 62, 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 1 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 36 and 37.

The Directors do not recommend the payment of any dividend for the Year (2015: 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 22 of this annual report. The summary does not form part of the audited consolidated financial statements.

CONVERTIBLE BONDS, CONVERTIBLE NOTES AND SHARE CAPITAL

Details of movements in convertible bonds, convertible notes and share capital for the Year are set out in notes 30, 31 and 32 to the financial statements respectively.

RESERVES

Details of movements in the Company and the Group during the Year are set out in note 45 to the financial statements and in the consolidated statement of changes in equity on page 40 respectively.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 March 2016, there was no reserve available to the Company for distribution (2015: Nil).

DONATIONS

No donation was noted during the Year (2015: HK\$ Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 13 to the financial statements.

LITIGATION

The Group had no outstanding litigation as at 31 March 2016 (2015: Nil).

DIRECTORS' REPORT

BORROWINGS

Details of borrowings of the Group as at 31 March 2016 are set out in note 28 to the financial statements.

EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date are set out in note 44 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*)

Non-executive Director

Mr. Wang Hongjie

Independent Non-executive Directors

Mr. Chan Koon Yung

Mr. Lai Chun Yu

Mr. Li Xigang

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. 84, Ms. Shen Mingzhen, Mr. Wang Hongjie and Mr. Chan Koon Yung 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 and in note 34 to the financial statements.

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 8 and 9 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 2016, 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\$0.1 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	–	5,000,000	226,780,000	4.17%	1
	Interest of controlled corporation	1,150,000,000	1,150,000,000	–	2,300,000,000	42.32%	
Mr. Shi Jun	Beneficial Owner	122,000,000	–	43,000,000	165,000,000	3.04%	
Mr. Law Fei Shing	Beneficial Owner	20,000,000	–	37,000,000	57,000,000	1.05%	
Ms. Shen Mingzhen	Beneficial Owner	122,000,000	–	43,000,000	165,000,000	3.04%	
Mr. Cheng Gang	Beneficial Owner	–	–	43,000,000	43,000,000	0.79%	
Mr. Wang Hongjie	Beneficial Owner	–	–	43,000,000	43,000,000	0.79%	
Mr. Chan Koon Yung	Beneficial Owner	–	–	5,000,000	5,000,000	0.09%	
Mr. Lai Chun Yu	Beneficial Owner	–	–	5,000,000	5,000,000	0.09%	
Mr. Li Xigang	Beneficial Owner	–	–	5,000,000	5,000,000	0.09%	

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 2016 which was 5,434,452,600.

Save as disclosed above, as at 31 March 2016, 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 2016, 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 of HK\$0.1 each and underlying shares

Name of Shareholder	Nature of interest/Capacity	Number of Shares held	Number of Underlying Shares held	Aggregate interest	Approximate percentage of shareholding (Note 5)	Notes
Master Point Overseas Limited	Beneficial Owner	1,150,000,000	1,150,000,000	2,300,000,000	42.32%	1
Ample Fortunate Limited	Beneficial Owner	150,000,000	350,000,000	500,000,000	9.20%	2
Mr. Yu Xiaogou	Interest of controlled corporation	150,000,000	350,000,000	500,000,000	9.20%	2
	Beneficial Owner	100,000,000	–	100,000,000	1.84%	
CCB International Overseas Limited	Beneficial Owner	1,268,600,000	1,483,889,816	2,752,489,816	50.65%	3
CCB International (Holdings) Limited	Interest of controlled corporation	1,268,600,000	1,483,889,816	2,752,489,816	50.65%	3
CCB Financial Holdings Limited	Interest of controlled corporation	1,268,600,000	1,483,889,816	2,752,489,816	50.65%	3
CCB International Group Holdings Limited	Interest of controlled corporation	1,268,600,000	1,483,889,816	2,752,489,816	50.65%	3
China Construction Bank Corporation	Interest of controlled corporation	1,268,600,000	1,483,889,816	2,752,489,816	50.65%	3
Central Huijin Investment Limited	Interest of controlled corporation	1,268,600,000	1,483,889,816	2,752,489,816	50.65%	3
Taiping Trustees Limited	Trustee	320,000,000	–	320,000,000	5.89%	4
Taiping Assets Management (HK) Company Limited	Investment Manager	320,000,000	–	320,000,000	5.89%	4
China Taiping Insurance Holdings Company Limited	Interest of controlled corporation	320,000,000	–	320,000,000	5.89%	4
Ever Ability Investment Limited	Beneficiary of a trust	320,000,000	–	320,000,000	5.89%	4
Mr. Lu Guofu	Interest of controlled corporation	320,000,000	–	320,000,000	5.89%	4
	Beneficial Owner	80,000,000	–	80,000,000	1.47%	
Mr. Han Min	Beneficiary of a trust	320,000,000	–	320,000,000	5.89%	4
Mr. He Yongwei	Beneficiary of a trust	320,000,000	–	320,000,000	5.89%	4
Ms. Wang Guozhen	Beneficiary of a trust	320,000,000	–	320,000,000	5.89%	4
Mr. Zhang Shenghua	Beneficiary of a trust	320,000,000	–	320,000,000	5.89%	4
Mr. Sun Xingrong	Beneficiary of a trust	320,000,000	–	320,000,000	5.89%	4
Mr. Feng Shouzhen	Beneficiary of a trust	320,000,000	–	320,000,000	5.89%	4

DIRECTORS' REPORT

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 "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".
- 350,000,000 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 350,000,000 underlying shares held by Ample Fortunate Limited.
- Out of these 2,752,489,816 Shares and underlying Shares, CCB International Overseas Limited was deemed to be interested in (i) 333,889,816 underlying Shares through its interests in the convertible bonds in the principal amount of HK\$50,000,000 issued by the Company on 17 November 2015; (ii) 118,600,000 Shares were subject to a share charge executed by Mr. Shi Hua (as charger) in favour of CCB International Overseas Limited (as chargee); (iii) 1,150,000,000 Shares were subject to a share charge executed by Master Point Overseas Limited (as charger) in favour of CCB International Overseas Limited (as chargee); and (iv) 1,150,000,000 underlying Shares were subject to a charge over certain convertible notes in aggregate principal amount of HK\$115 million executed by Master Point Overseas Limited (as charger) in favour of CCB International Overseas Limited (as chargee).

CCB International Overseas Limited is wholly and beneficially owned by CCB International (Holdings) Limited, which in turn is wholly and beneficially owned by CCB Financial Holdings Limited and indirectly wholly and beneficially owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is wholly and beneficially owned by China Construction Bank Corporation which is owned as to 57.31% by Central Huijin Investment Limited. Therefore, each of CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Limited is deemed to be interested in the Shares held by CCB International Overseas Limited.

- 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 2016 which was 5,434,452,600.

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.

DIRECTORS' REPORT

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 2016 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 2016 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 40 to the 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.

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.

DIRECTORS' REPORT

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.

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 2016	Exercise price per Share HK\$
			Balance at 1 April 2015	Granted during the Period	Cancelled during the Period	Expired/Lapsed during the Period	Exercised during the Period		
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. Law Fei Shing	5 August 2015	6 August 2015 to 17 July 2018	-	10,000,000	-	-	-	10,000,000	0.138
Mr. Shi Hua	5 August 2015	6 August 2015 to 17 July 2018	-	5,000,000	-	-	-	5,000,000	0.138
Mr. Shi Jun	5 August 2015	6 August 2015 to 17 July 2018	-	43,000,000	-	-	-	43,000,000	0.138
Ms. Shen Mingzhen	5 August 2015	6 August 2015 to 17 July 2018	-	43,000,000	-	-	-	43,000,000	0.138
Mr. Cheng Gang	5 August 2015	6 August 2015 to 17 July 2018	-	43,000,000	-	-	-	43,000,000	0.138
Non-executive Directors									
Mr. Wang Hongjie	5 August 2015	6 August 2015 to 17 July 2018	-	43,000,000	-	-	-	43,000,000	0.138

DIRECTORS' REPORT

Name and category of participant	Date of grant	Exercisable period	Number of options					Balance at 31 March 2016	Exercise price per Share HK\$
			Balance at 1 April 2015	Granted during the Period	Cancelled during the Period	Expired/ Lapsed during the Period	Exercised during the Period		
Independent Non-executive Directors									
Mr. Chan Koon Yung	5 August 2015	6 August 2015 to 17 July 2018	-	5,000,000	-	-	-	5,000,000	0.138
Mr. Lai Chun Yu	5 August 2015	6 August 2015 to 17 July 2018	-	5,000,000	-	-	-	5,000,000	0.138
Mr. Li Xigang	5 August 2015	6 August 2015 to 17 July 2018	-	5,000,000	-	-	-	5,000,000	0.138
			27,000,000	202,000,000	-	-	-	229,000,000	
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	3 April 2012 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	-	-	-	(45,900,000)	66,162,260	0.101
In aggregate	5 August 2015	6 August 2015 to 17 July 2018	-	70,000,000	-	-	-	70,000,000	0.138
			177,062,260	70,000,000	-	-	(45,900,000)	201,162,260	
Total			210,762,260	272,000,000	-	-	(45,900,000)	436,862,260	

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 51% and 57% 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.

DIRECTORS' REPORT

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

The consolidated financial statements for the year ended 31 March 2015 were audited by Ernst & Young.

For the year ended 31 March 2016, the consolidated financial statements of the Company have been audited by the Company's auditor, Ernst & Young, who shall retire and, being eligible, offer themselves for re-appointment and the forthcoming AGM. 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 2016

FIVE YEAR SUMMARY

Year ended 31 March	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)	2013 HK\$'000 (Restated)	2012 HK\$'000 (Restated)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS					
Revenue	108,044	97,396	157,284	127,405	64,704
Profit/(Loss) before income tax	11,256	44,073	10,934	4,901	(121,494)
Income tax (expense)/credit	(1,452)	(5,937)	(4,932)	(9,280)	605
Profit/(Loss) for the year	9,804	38,136	6,002	(4,379)	(120,889)
Profit/(Loss) attributable to:					
Owners of the Company	9,465	37,425	5,719	(20,088)	(111,245)
Non-controlling interests	339	711	283	15,709	(9,644)
	9,804	38,136	6,002	(4,379)	(120,889)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Non-current assets	864,169	554,049	466,180	467,347	482,443
Net current assets	87,954	119,912	108,033	103,962	119,455
Non-current liabilities	(361,836)	(121,841)	(123,350)	(135,967)	(103,501)
Net assets	590,287	552,120	450,863	435,342	498,397
Non-controlling interests	(48,907)	(8,915)	(8,198)	(6,520)	(167,603)
Equity attributable to owners of the Company	541,380	543,205	442,665	428,822	330,794

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The corporate governance principle of the Company emphasizes on accountability and transparency and is adopted in the best interests of the Company and its shareholders. In addition the Company will strive to continuously improve these practices and cultivate an ethical corporate culture.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the Year, except for the deviation from code provisions A.1.1 and A.6.7 of the CG Code as specified with considered reasons for such deviations as explained below. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

CORPORATE GOVERNANCE STRUCTURE

The Board is primarily responsible for formulating strategies, monitoring performance and managing risks of the Group. At the same time, it also has the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are 3 board committees, namely the Audit Committee, Remuneration Committee and Nomination Committee. All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

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. No incident of non-compliance was noted by the Company during 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*)

Non-executive Director

Mr. Wang Hongjie

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

Mr. Chan Koon Yung

Mr. Lai Chun Yu

Mr. Li Xigang

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 “Biographical Details of Directors and Senior Management” 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.

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 11 meetings during the year ended 31 March 2016. Individual attendance records of each Director at the respective Board and committee meetings are set out in the table on page 30 of this report.

During the Year, 2 regular and 9 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.

CORPORATE GOVERNANCE REPORT

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.

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	✓	

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2016, the Board has adopted and complied with the code provisions of the Code in so far as they are applicable except for the following deviations.

Code provision A.1.1 of the Code

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

Code Provision A.6.7 of the Code

Code provision A.6.7 of the Code provides that independent non-executive directors and other non-executive directors, as equal board members as other directors, should attend general meetings of the company. Due to business commitment, Mr. Cheng Gang, an executive Director, Mr. Wang Hongjie, a Non-executive Director, and Mr. Li Xigang, an independent non-executive Director, were unable to attend the AGM held on 18 September 2015.

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.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Executive Directors

Mr. Shi Hua, Mr. Law Fei Shing and Mr. Cheng Gang, executive Directors, have entered into a service contract with the Company for a period of one year from 20 June 2011, 10 June 2009 and 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, executive Directors, 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.

Non-executive Directors

Mr. Wang Hongjie, a non-executive Director, and Mr. Chan Koon Yung, an independent non-executive Director, 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, independent non-executive Directors, 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.

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.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration 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.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Chan Koon Yung. The other members are Mr. Lai Chun Yu and Mr. Li Xigang.

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 make recommendations to the Board on the appointment, re-appointment and removal of external auditor to approve their remuneration and terms of engagement, to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards, 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.

During the Year, the Audit Committee held 2 meetings (one meeting together with the external auditors) to review the audited financial statements and annual results announcement for the year ended 31 March 2016; to review the unaudited interim report and interim results announcement for the six months ended 30 September 2015; to review the work of the internal control advisor on assessing the effectiveness of the Group's internal control system and provided advice and comments thereon. The Audit Committee also made recommendations to the Board and the management of the Company in respect of the Group's financial reporting and internal control procedures. Individual attendance records of each member of the Audit Committee are set out in the table on page 30 of this report.

The Group's financial statements and annual results announcement for the year ended 31 March 2016 were reviewed by the Audit Committee on 29 June 2016.

Remuneration Committee

The Remuneration Committee has been established with written terms of reference in compliance with code provision B.1.2 of the CG Code to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors and senior management. The Remuneration Committee currently comprises three independent non-executive Directors and is chaired by Mr. Chan Koon Yung. The other members are Mr. Lai Chun Yu and Mr. Li Xigang.

CORPORATE GOVERNANCE REPORT

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.

During the Year, the Remuneration Committee held two 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 30 of this report.

The Directors' remuneration for the Year is set out in note 8 to the financial statements.

Nomination Committee

The Nomination Committee has been established with written terms of reference in compliance with code provision A.5.2 of the CG Code. The Nomination Committee currently comprises three independent non-executive Directors and is chaired by Mr. Shi Hua, the Chairman. The other members are Mr. Chan Koon Yung, Mr. Lai Chun Yu and Mr. Li Xigang, the Independent Non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members, to assess the independence of the independent non-executive Directors and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

During the Year, the Nomination Committee reviewed and discussed the structure, size and composition of the Board 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. The Nomination Committee is responsible for identifying potential directors, reviewing the credentials of the potential director base on his/her qualifications, skills, experience, credibility and reputation. Once the Nomination Committee confirmed the potential director(s) is/are qualified to be the Director(s) and his/her appointments are in the interests of the Company and the Shareholders as a whole, it will make recommendations to the Board for approval.

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.

CORPORATE GOVERNANCE REPORT

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.

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 held 1 meeting during the year ended 31 March 2016. Individual attendance records of each member of the Nomination Committee are set out in the table on page 30 this report.

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 2016 are as follows:

Name of Director	Board Meeting Attended/Eligible to attend	Audit Committee Meeting Attended/Eligible to attend	Nomination Committee Meeting Attended/Eligible to attend	Remuneration Committee Meeting Attended/Eligible to attend	General Meeting Attended/Eligible to attend
Executive Directors					
Mr. Shi Hua	10/11	N/A	1/1	N/A	1/1
Mr. Shi Jun	11/11	N/A	N/A	N/A	1/1
Mr. Law Fei Shing	11/11	N/A	N/A	N/A	1/1
Ms. Shen Mingzhen	10/11	N/A	N/A	N/A	1/1
Mr. Cheng Gang	10/11	N/A	N/A	N/A	0/1
Non-executive Director					
Mr. Wang Hongjie	9/11	N/A	N/A	N/A	0/1
Independent non-executive Directors					
Mr. Chan Koon Yung	11/11	2/2	1/1	2/2	1/1
Mr. Lai Chun Yu	11/11	2/2	1/1	2/2	1/1
Mr. Li Xigang	10/11	2/2	1/1	1/2	0/1

CORPORATE GOVERNANCE REPORT

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'S STATEMENT, 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 34 and 35.

The audit fee incurred for the Group for the Year was approximately HK\$1,296,000. No non-auditing service fee was paid/payable to the Company's auditor for the Year.

DIRECTOR'S ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

FINANCIAL REPORTING

The Management has provided to all Directors updates with consolidated financial statement of the Company's performance, position and prospects in sufficient details during the regular Board meetings. In addition, the Management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The Management will spare no effort to provide all members of the board with more detailed and promptly monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail in coming future.

INTERNAL CONTROL AND RISK MANAGEMENT

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.

CORPORATE GOVERNANCE REPORT

The Board had engaged Baker Tilly Hong Kong, 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.

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.

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.

CORPORATE GOVERNANCE REPORT

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.

Procedures for putting forward proposals by Shareholders at Shareholders' meetings

Shareholders may include a resolution to be considered at a SGM. The requirements and procedures are set out above in the paragraph headed "Procedures for the Shareholders to convene a special general meeting".

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



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members 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 set out on pages 36 to 120, which comprise the consolidated statement of financial position as at 31 March 2016, 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 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 its subsidiaries as at 31 March 2016, and of their 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 Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong
29 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
REVENUE	5	108,044	97,396
Cost of sales		(26,255)	(28,391)
Gross profit		81,789	69,005
Other income and gains	5	8,291	34,066
Selling and distribution expenses		(14,069)	(9,276)
Administrative expenses		(57,058)	(46,956)
Finance costs	7	(8,119)	(2,453)
Share of profits and losses of associates		422	(313)
PROFIT BEFORE TAX	6	11,256	44,073
Income tax expense	10	(1,452)	(5,937)
PROFIT FOR THE YEAR		9,804	38,136
Attributable to:			
Owners of the parent		9,465	37,425
Non-controlling interests		339	711
		9,804	38,136
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (HK cents)			
– For profit for the year	12	0.14	0.57
Diluted (HK cents)			
– For profit for the year	12	0.08	0.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
PROFIT FOR THE YEAR	9,804	38,136
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(27,862)	601
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(27,862)	601
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(18,058)	38,737
Attributable to:		
Owners of the parent	(17,815)	38,020
Non-controlling interests	(243)	717
	(18,058)	38,737

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016

	<i>Notes</i>	31 March 2016 HK\$'000	31 March 2015 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	109,445	17,927
Investment properties	14	857	1,230
Intangible assets	15	473,089	392,432
Goodwill	16	13,340	–
Investment in an associate	17	4,560	4,374
Available-for-sale investments	18	2,400	2,525
Prepayments	23	42,004	14,834
Cemetery assets	19	218,474	120,727
Total non-current assets		864,169	554,049
CURRENT ASSETS			
Inventories	21	168,947	144,707
Trade receivables	22	1,034	22,458
Prepayments, deposits and other receivables	23	45,668	24,415
Pledged deposits	24	31,080	20,073
Cash and cash equivalents	24	109,911	81,506
Total current assets		356,640	293,159
CURRENT LIABILITIES			
Trade payables	25	60,386	15,880
Other payables and accruals	26	67,469	7,718
Deferred income	27	3,017	2,271
Interest-bearing bank and other borrowings	28	59,106	116,666
Amount due to non-controlling shareholders	29	49,123	1,171
Derivative component of convertible bonds	30	9,700	–
Tax payable		19,885	29,541
Total current liabilities		268,686	173,247
NET CURRENT ASSETS		87,954	119,912
TOTAL ASSETS LESS CURRENT LIABILITIES		952,123	673,961

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016

	<i>Notes</i>	31 March 2016 HK\$'000	31 March 2015 HK\$'000
NON-CURRENT LIABILITIES			
Liability component of convertible bonds	30	34,000	–
Interest-bearing bank and other borrowings	28	156,971	8,837
Deferred income	27	13,819	13,090
Amount due to non-controlling shareholders	29	38,141	–
Deferred tax liabilities	20	118,905	99,914
Total non-current liabilities		361,836	121,841
Net assets		590,287	552,120
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	543,445	529,162
Reserves	33	(2,065)	14,043
		541,380	543,205
Non-controlling interests		48,907	8,915
Total equity		590,287	552,120

Shi Hua
Director

Law Fei Shing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Attributable to owners of the parent											
	Notes	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	Other reserve* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2015:		529,162	225,446	14,145	68,414	4,838	30,798	-	(329,598)	543,205	8,915	552,120
Profit for the year		-	-	-	-	-	-	-	9,465	9,465	339	9,804
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		-	-	-	-	-	(27,280)	-	-	(27,280)	(582)	(27,862)
Total comprehensive loss for the year		-	-	-	-	-	(27,280)	-	9,465	(17,815)	(243)	(18,058)
Acquisition of subsidiaries	35	-	-	-	-	-	-	-	-	-	29,409	29,409
Capital contribution from non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	4,253	4,253
Capital contribution in a subsidiary		-	-	-	-	-	-	(11,458)	-	(11,458)	11,458	-
Disposal of subsidiaries	36	-	-	-	-	-	336	-	-	336	(4,885)	(4,549)
Issue of shares	32	6,693	4,083	-	-	-	-	-	-	10,776	-	10,776
Exercise of share options	34	4,590	1,524	(1,478)	-	-	-	-	-	4,636	-	4,636
Conversion of convertible notes	31	3,000	(1,659)	-	(1,341)	-	-	-	-	-	-	-
Equity-settled share option arrangements	34	-	-	11,700	-	-	-	-	-	11,700	-	11,700
Transfer from retained profits		-	-	-	-	2,571	-	-	(2,571)	-	-	-
At 31 March 2016		543,445	229,394	24,367	67,073	7,409	3,854	(11,458)	(322,704)	541,380	48,907	590,287

* These reserve accounts comprise the consolidated reserves as at 31 March 2016 and 31 March 2015 in the consolidated statement of financial position.

Year ended 31 March 2015

	Attributable to owners of the parent										
	Notes	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	Total HK\$'000	Non- controlling interests HK\$'000	Total equity 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	32,000	22,339	-	-	-	-	-	54,339	-	54,339
Exercise of share options	34	8,100	2,689	(2,608)	-	-	-	-	8,181	-	8,181
Lapse of share options	34	-	-	(129)	-	-	-	129	-	-	-
Conversion of convertible notes	31	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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		11,256	44,073
Adjustments for:			
Interest income	5	(133)	(92)
Loss on disposal of subsidiaries		90	–
Share of (losses)/gain from an associate		(422)	313
Gain on disposal of items of property, plant and equipment	5	–	(378)
Gain on bargain purchase arising from business combination	5	(558)	(213)
Finance costs	7	8,119	2,453
Depreciation on property, plant and equipment	6	3,348	2,834
Depreciation on investment properties	6	318	328
Amortisation of cemetery assets	6	3,616	2,631
Amortisation of intangible assets	6	2,007	2,053
Fair value gain in derivative component of convertible bonds	5	(7,600)	–
Equity settled share option expense	34	11,700	–
		31,741	54,002
Increase in cemetery assets and inventories		(25,909)	(80,730)
Decrease in trade receivables		21,978	103,009
(Increase)/decrease in prepayments, deposits and other receivables		(20,195)	22,994
Increase in trade payables		995	13,749
Decrease in other payables and accruals and deferred income		(27,664)	(38,352)
		(19,054)	74,672
Cash (used in)/generated from operations		(8,768)	(6,722)
Interest paid		(8,819)	(8,054)
Tax paid		(8,819)	(8,054)
		(36,641)	59,896
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		133	92
Purchases of items of property, plant and equipment		(1,130)	(14,037)
Proceeds from disposal of items of property, plant and equipment		–	406
Payment for non-current prepayments		(42,004)	(4,430)
Disposal of subsidiaries	36	(21)	–
Purchases of available-for-sale investments		–	(2,525)
Acquisition of subsidiaries	35	(27,398)	(9,635)
Purchase of interest in an associate		–	(1,870)
(Increase)/decrease in pledged time deposits		(12,225)	1,363
		(82,645)	(30,636)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	32	–	54,339
Exercise of share options	32	4,636	8,181
New bank loans		203,786	92,693
Repayment of bank loans		(111,023)	(94,686)
Increase in amount due to a non-controlling shareholder of a subsidiary		–	27
Decrease in amount due to a director		–	(6,500)
Repayments of promissory notes		–	(12,538)
Proceeds from issue of convertible bonds	30	49,831	–
Capital contribution from non-controlling shareholders of subsidiaries		4,253	–
Net cash flows from financing activities		151,483	41,516
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		81,506	10,703
Effect of foreign exchange rate changes, net		(3,792)	27
CASH AND CASH EQUIVALENTS AT END OF YEAR		109,911	81,506
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	109,911	81,506

NOTES TO FINANCIAL STATEMENTS

31 March 2016

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's principal 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	
Kylinfield Limited	British Virgin Islands/ Hong Kong	US\$100	100%	–	Investment holding
Sino Grandeur Limited ("Sino Grandeur")	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
Promising Sense Limited**	British Virgin Islands/ Mainland China	US\$1	100%	–	Investment holding
Anxian Yuan China Investments Limited**	Hong Kong/ Mainland China	HK\$1	–	100%	Investment holding
China Boon Holdings Limited (formerly known as China Boon Development Holdings Limited)	Hong Kong	HK\$1	–	100%	Investment holding
Grand Elegant Limited	Hong Kong	HK\$1	–	100%	Group's administration

NOTES TO FINANCIAL STATEMENTS

31 March 2016

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about 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	
Anxian Yuan (HK) Limited	Hong Kong	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/ Hong Kong	US\$1	–	100%	Investment holding
Hirise Corporation Limited ("Hirise")	Hong Kong	HK\$1	–	100%	Investment holding
中福園林設計(杭州)有限公司* (China Boon Landscape Design (Hangzhou) Co., Ltd.) ("Zhong Fu Yuan Lin")	PRC/Mainland China	US\$2,000,000	–	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\$1,080,700	–	100%	Cemetery business
杭州安賢園石材有限公司* (Hangzhou Anxian Yuan Stone Co., Ltd.) ("Hangzhou Anxian Yuan Stone")	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

NOTES TO FINANCIAL STATEMENTS

31 March 2016

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about 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	
銀川福壽園人文紀念園有限公司*** (Yin Chuan Fu Shou Yuan Humanistic Cultural Memorial Park Co., Ltd.) ("Yin Chuan Fu Shou Yuan")	PRC/Mainland China	RMB2,200,000	–	70%	Cemetery business
遵義詩鄉大神山生態陵園 有限公司*** (Zunyi Shixiang Dashenshan Cemeteries Co., Ltd.) ("Zunyi Dashenshan")	PRC/Mainland China	RMB50,000,000	–	80%	Cemetery business

* Zhong Fu Yuan Lin, Shanghai Anxian Yuan, Hangzhou Haoletian, Zhejiang Anxian Yuan and Hangzhou Anxian Yuan Stone are registered under PRC Law.

** Newly established during the year ended 31 March 2016.

*** During the year, the Group acquired Yin Chuan Fu Shou Yuan and Zunyi Dashenshan from third parties. Further details of these acquisitions are included in note 35 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

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 Hong Kong Companies Ordinance. 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 2016. 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.

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 above. 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

Annual Improvements to HKFRSs 2010-2012 Cycle

Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year 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. The amendments have had no impact on the Group.
 - *HKAS 16 Property, Plant and Equipment* and *HKAS 38 Intangible Assets*: Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
 - *HKAS 24 Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment properties during the year.

In addition, the Company has early adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

⁴ No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs 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 is currently assessing the impact of the standard.

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 is currently assessing the impact of the amendments and the adoption date has not been determined.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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 to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 April 2018. The Group expects to adopt HKFRS 15 on 1 April 2018 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. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 April 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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 a 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 FINANCIAL STATEMENTS

31 March 2016

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 or joint venture, 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 or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture 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 *Non-current Assets Held for Sale and Discontinued Operations*.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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.

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, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

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. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 apply:
 - (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);

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(b) (Continued)

- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

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 recognised 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	5% – 6.67% or over the lease term, whichever is shorter
Furniture, fixtures and equipment	20% – 33.33%
Motor vehicles	20%
Leasehold improvements	20% or over the lease term, whichever is shorter

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and/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. Such properties are measured initially at cost, including transaction costs.

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.

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 cemetery operating licences 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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. 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 financial assets at fair value through profit or loss, 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, except in the case of financial assets recorded at fair value through profit or loss.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

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.

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 the statement of 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

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 (or, where applicable, a part of a financial asset or part of a group of similar financial assets) 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.

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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 amount of the impairment 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 profit or loss.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 shareholders, bonds payable, convertible bonds, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

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.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Convertible bonds (Continued)

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its host debt component. On initial recognition, the derivative component (including all embedded derivatives that should be separated from the host debt) of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host debt component (as a liability). Transaction costs are apportioned between the host debt and derivative component of the convertible bonds based on the allocation of proceeds to the host debt and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the host debt is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

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.

Derivative financial instruments

With the exception of the derivatives embedded in the Group's convertible bonds, the Group does not hold or issue any derivative financial instrument either for hedging or for trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the statement of profit or loss.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cemetery assets

Cemetery assets are mainly land costs and 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 amortization and net realizable value prior to the commencement of development of the cemetery. Amortization is charged to the statement of profit or loss on the straight-line method over the shorter of the remaining lease term of land and the useful life.

The principal annual rates used for this purpose are follows:

Land costs	over the lease term
Tree plantation	5% or over the lease term, whichever is shorter
Landscape and roads	2.5% or over the lease term, whichever is shorter

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 on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

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 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 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 carry forward 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 carry forward 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 associates, 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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.

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 the 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; and
- (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 Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based compensation (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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 FINANCIAL STATEMENTS

31 March 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits (Continued)

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Group’s and 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 FINANCIAL STATEMENTS

31 March 2016

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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 are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax liabilities carried in the consolidated statement of financial position as at 31 March 2016 was HK\$118,905,000 (2015: HK\$99,914,000), details of which are set out in note 20 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2016 HK\$'000	2015 HK\$'000
Mainland China	108,044	97,396

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

(b) Non-current assets

	2016 HK\$'000	2015 HK\$'000
Hong Kong	415	869
Mainland China	861,354	550,655
	861,769	551,524

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 2016. During the year ended 31 March 2015, revenue from two single customers individually accounted for 10% or more of the Group's revenue and the amounts of revenue from them were HK\$63,153,000 and HK\$16,421,000, respectively.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2016 HK\$'000	2015 HK\$'000
Revenue		
Sales of tombs and niches	101,082	93,240
Management fee income	2,482	2,223
Burial service	3,746	1,647
Sales of funeral supplies	734	286
	108,044	97,396
Other income and gains		
Reversal of business tax over-accrued in previous years	–	32,770
Gain on disposal of items of property, plant and equipment	–	378
Gain on bargain purchase arising from business combination (<i>note 35</i>)	558	213
Bank interest income	133	92
Fair value gain of derivative component of convertible bonds (<i>note 30</i>)	7,600	–
Others	–	613
	8,291	34,066

NOTES TO FINANCIAL STATEMENTS

31 March 2016

6. PROFIT BEFORE TAX

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

	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	19,904	23,408
Cost of services provided	728	299
Employee benefit expense (excluding directors' and chief executive's remuneration (<i>note 8</i>)):		
Wages and salaries	23,618	7,976
Amortisation of intangible assets (<i>note 15</i>)*	2,007	2,053
Amortisation of cemetery assets (<i>note 19</i>)*	3,616	2,631
Auditors' remuneration	1,296	884
Depreciation		
– Property, plant and equipment (<i>note 13</i>)	3,348	2,834
– Investment properties (<i>note 14</i>)	318	328
Foreign exchange differences, net	(82)	30
Minimum lease payments under operating leases	2,952	2,950

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK\$'000	2015 HK\$'000
Interest on interest-bearing bank borrowings (including convertible bonds)	14,920	7,023
Interest on promissory notes	–	926
Total interest expense	14,920	7,949
Less: Interest capitalised	(6,801)	(5,742)
	8,119	2,207
Other finance costs	–	246
	8,119	2,453

NOTES TO FINANCIAL STATEMENTS

31 March 2016

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2016 HK\$'000	2015 HK\$'000
Fees	390	302
Other emoluments:		
Salaries, allowances and benefits in kind	4,910	2,635
Performance related bonuses	530	100
Equity-settled share option expense	8,600	–
Pension scheme contributions	85	112
	14,125	2,847
	14,515	3,149

During the year, certain directors were granted share award, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such award, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

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

(a) Independent non-executive directors

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

	Notes	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Equity-settled share option expense HK\$'000	Total remuneration HK\$'000
2016					
Independent non-executive directors:					
Mr. Chan Koon Yung	(i)	120	10	213	343
Mr. Li Xigang	(ii)	120	10	213	343
Mr. Lai Chun Yu	(iii)	120	10	213	343
		360	30	639	1,029
2015					
Independent non-executive directors:					
Ms. Tang Yan	(iv)	50	–	–	50
Mr. Fu Xiao Dong	(v)	50	–	–	50
Mr. Chan Koon Yung	(i)	92	–	–	92
Mr. Li Xigang	(ii)	55	–	–	55
Mr. Lai Chun Yu	(iii)	55	–	–	55
		302	–	–	302

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

Notes:

- (i) Appointed on 24 June 2014
- (ii) Appointed on 15 October 2014
- (iii) Appointed on 15 October 2014
- (iv) Resigned on 1 September 2014
- (v) Resigned on 1 September 2014

NOTES TO FINANCIAL STATEMENTS

31 March 2016

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

(b) Executive directors and non-executive directors

<i>Notes</i>	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2016					
Executive directors:					
Mr. Shi Hua	1,060	130	213	18	1,421
Mr. Shi Jun	870	110	1,831	15	2,826
Mr. Law Fei Shing	1,100	100	425	18	1,643
Ms. Shen Mingzhen	800	100	1,831	16	2,747
Mr. Cheng Gang <i>(i)</i>	960	80	1,831	18	2,889
	4,790	520	6,131	85	11,526
Non-executive directors:					
Mr. Wang Hongjie	120	10	1,830	-	1,960
	4,910	530	7,961	85	13,486
2015					
Executive directors:					
Mr. Shi Hua	360	-	-	28	388
Mr. Shi Jun	240	-	-	26	266
Mr. Law Fei Shing	960	100	-	18	1,078
Ms. Shen Mingzhen	240	-	-	26	266
Mr. Cheng Gang	18	-	-	-	18
	1,818	100	-	98	2,016
Non-executive directors:					
Mr. Wang Hongjie	120	-	-	-	120
Mr. Cheng Gang <i>(i)</i>	697	-	-	14	711
	817	-	-	14	831
	2,635	100	-	112	2,847

Notes:

(i) Appointed as non-executive director on 3 July 2014 and appointed as executive director on 25 March 2015.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2016

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2015: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year 2015 of the remaining two highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefits in kind	–	1,220
Performance related bonuses	–	25
Pension scheme contributions	–	75
	–	1,320

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

	Number of employees	
	2016	2015
HK\$1 to HK\$1,000,000	–	2

10. 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% (2015: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

10. INCOME TAX (CONTINUED)

The major components of income tax expense are as follows:

	2016 HK\$'000	2015 HK\$'000
Current tax		
Income tax in the PRC for the year	9,477	13,815
Reversal of overprovision in prior years	(10,289)	(10,461)
Deferred tax (<i>note 20</i>)	2,264	2,583
Total tax charge for the year	1,452	5,937

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:

	2016 HK\$'000	2015 HK\$'000
Profit before tax	11,256	44,073
Tax at the statutory tax rate of 25%	2,814	11,018
Effect of withholding tax on distributable profit of the Group's PRC subsidiaries	1,103	1,371
Tax effect of different taxation rates in other tax jurisdictions	2,626	1,026
Income not subject to tax	(1,275)	(70)
Expenses not deductible for tax	3,658	873
Tax losses utilised from previous periods	(17)	–
Tax losses not recognised	2,470	2,180
Underprovision in prior year	362	–
Reversal of overprovision in prior years	(10,289)	(10,461)
Total tax charge for the year	1,452	5,937

11. DIVIDEND

There is no proposed final dividend for the year (2015: Nil) which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

12. 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 6,873,406,000 (2015: 6,581,283,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds and fair value gain on derivative component of convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the 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:

	2016 HK\$'000	2015 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	9,465	37,425
Interest on convertible bonds (<i>note 30</i>)	3,694	–
Less: Fair value gain on the derivative component of convertible bonds (<i>note 5</i>)	(7,600)	–
Profit attributable to ordinary equity holders of the parent, before the effect of convertible bonds	5,559	37,425
	Number of shares 2016 (‘000)	Number of shares 2015 (‘000)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	6,873,406	6,581,283
Effect of dilution – weighted average number of ordinary shares:		
Share options	24,399	72,540
Convertible bonds	123,493	–
	7,021,298	6,653,823

NOTES TO FINANCIAL STATEMENTS

31 March 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:					
At 31 March 2015 and 1 April 2015	15,749	2,420	8,172	1,131	27,472
Additions	53	201	855	21	1,130
Acquisition of subsidiaries (<i>note 35</i>)	88,365	3,258	2,941	–	94,564
Disposals	–	–	(72)	–	(72)
Disposal of subsidiaries (<i>note 36</i>)	–	–	(125)	–	(125)
Exchange realignment	(736)	(57)	(278)	(31)	(1,102)
At 31 March 2016	103,431	5,822	11,493	1,121	121,867
Accumulated depreciation:					
At 31 March 2015 and 1 April 2015	(5,280)	(789)	(3,249)	(227)	(9,545)
Charge for the year	(844)	(491)	(1,470)	(543)	(3,348)
Disposals	–	–	72	–	72
Disposal of subsidiaries (<i>note 36</i>)	–	–	36	–	36
Exchange realignment	278	11	63	11	363
At 31 March 2016	(5,846)	(1,269)	(4,548)	(759)	(12,422)
Net carrying amount:					
At 31 March 2015	10,469	1,631	4,923	904	17,927
At 31 March 2016	97,585	4,553	6,945	362	109,445

At 31 March 2016, certain of Group's buildings with a net carrying amount of approximately HK\$7,248,000 (2015: HK\$7,910,000) were pledged to secure general banking loans granted to the Group as set out in note 28.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:					
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	–	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 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 FINANCIAL STATEMENTS

31 March 2016

14. INVESTMENT PROPERTIES

	HK\$'000
Cost:	
At 1 April 2014	2,648
Exchange realignment	3
	<hr/>
At 31 March 2015 and 1 April 2015	2,651
Exchange realignment	(131)
	<hr/>
At 31 March 2016	2,520
	<hr/>
Accumulated depreciation:	
At 1 April 2014	(1,092)
Charge for the year	(328)
Exchange realignment	(1)
	<hr/>
At 31 March 2015 and 1 April 2015	(1,421)
Charge for the year	(318)
Exchange realignment	76
	<hr/>
At 31 March 2016	(1,663)
	<hr/>
Net carrying amount:	
At 31 March 2015	1,230
	<hr/>
At 31 March 2016	857
	<hr/>

As at 31 March 2016, investment properties with a carrying amount of HK\$857,000 (2015: HK\$1,230,000) 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 seizes the land on which the investment properties are situated and the estimated compensation payable to the Group will be Renminbi ("RMB") 2,100,000, equivalent to approximately HK\$2,520,000.

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 2016 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	–	–	2,520	2,520

The key input of the valuation is based on the estimated compensation recoverable when the piece of land is seized by the PRC government in the future.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

15. INTANGIBLE ASSETS

	HK\$'000
Cost:	
At 1 April 2014	405,947
Exchange realignment	492
	<hr/>
At 31 March 2015 and 1 April 2015	406,439
Acquisition of subsidiaries (<i>note 35</i>)	101,686
Exchange realignment	(19,752)
	<hr/>
At 31 March 2016	488,373
	<hr/>
Accumulated amortisation:	
At 1 April 2014	(11,938)
Charge for the year	(2,053)
Exchange realignment	(16)
	<hr/>
At 31 March 2015 and 1 April 2015	(14,007)
Charge for the year	(2,007)
Exchange realignment	730
	<hr/>
At 31 March 2016	(15,284)
	<hr/>
Net carrying amount:	
At 31 March 2015	392,432
	<hr/>
At 31 March 2016	473,089
	<hr/>

Intangible assets represent cemetery operating licences, which were acquired by business combination of Zhejiang Anxian Yuan in the year of 2010. In the year of 31 March 2016, the Group acquired Yin Chuan Fu Shou Yuan and Zunyi Dashenshan. Further details of these acquisitions are included in note 35 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

16. GOODWILL

	HK\$'000
Cost:	
At 1 April 2014, 31 March 2015 and 1 April 2015	–
Arising on acquisition of a subsidiary (<i>note 35</i>)	13,340
	<hr/>
At 31 March 2016	13,340
	<hr/>

The carrying amounts of goodwill as at 31 March 2016 are as follows:

	HK\$'000
Yin Chuan Fu Shou Yuan	13,340
	<hr/>
	13,340
	<hr/>

For the purpose of impairment testing, goodwill has been allocated to each of the individual cash generating units (“CGUs”). During the year ended 31 March 2016, the management of the Group determines that there is no impairment of above CGU containing goodwill.

The recoverable amount of the above CGU is determined based on a value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discounts, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pretax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. The growth rates are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The major underlying assumptions are summarised below:

The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 16%. Cash flows beyond that five-year period have been extrapolated using declining growth rates until a steady 3% growth rate is reached. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

17. INVESTMENT IN AN ASSOCIATE

	2016 HK\$'000	2015 HK\$'000
Share of net assets	4,499	4,309
Goodwill on acquisition	61	65
	4,560	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%	E-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 e-commerce and sale of funeral products.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

17. INVESTMENT IN AN ASSOCIATE (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
Current assets	12,854	9,985
Non-current assets	–	2,816
Current liabilities	–	(490)
Net assets, excluding goodwill	12,854	12,311
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	35%	35%
Group's share of net assets of the associate, excluding goodwill	4,499	4,309
Goodwill on acquisition	61	65
Carrying amount of the investment	4,560	4,374
Revenues	–	–
Profit/(loss) for the year	1,205	(894)
Total comprehensive profit/(loss) for the year	1,205	(894)

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Unlisted equity investments, at cost	2,400	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 2016, the above unlisted equity investments with a carrying amount of HK\$2,400,000 (2015: HK\$2,525,000) 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 them in the near future.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

19. CEMETERY ASSETS

	Land costs HK\$'000	Landscape facilities HK\$'000	Total HK\$'000
Cost			
At 1 April 2014	–	84,353	84,353
Additions	–	72,888	72,888
Transfer to inventories	–	(13,565)	(13,565)
Exchange realignment	–	(1,332)	(1,332)
At 31 March 2015 and 1 April 2015	–	142,344	142,344
Additions	–	17,488	17,488
Acquisition of subsidiaries (note 35)	28,687	63,720	92,407
Transfer to inventories	(1,576)	(1,443)	(3,019)
Exchange realignment	153	(6,907)	(6,754)
At 31 March 2016	27,264	215,202	242,466
Accumulated amortisation:			
At 1 April 2014	–	(20,405)	(20,405)
Provided for the year	–	(2,631)	(2,631)
Eliminated on transfer	–	1,452	1,452
Exchange realignment	–	(33)	(33)
At 31 March 2015 and 1 April 2015	–	(21,617)	(21,617)
Provided for the year	(131)	(3,485)	(3,616)
Eliminated on transfer	–	121	121
Exchange realignment	3	1,117	1,120
At 31 March 2016	(128)	(23,864)	(23,992)
Carrying value:			
At 31 March 2015	–	120,727	120,727
At 31 March 2016	27,136	191,338	218,474

Cemetery assets mainly represent land costs and the construction cost of public facilities in the cemetery.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2016

20. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Withholding tax HK\$'000	Interest capitalisation HK\$'000	Total HK\$'000
At 1 April 2014	(98,890)	(987)	(1,441)	(101,318)
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	442	(1,371)	(1,272)	(2,201)
Exchange differences	(120)	–	–	(120)
At 31 March 2015 and 1 April 2015	(98,568)	(2,358)	(2,713)	(103,639)
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	531	(1,103)	(1,267)	(1,839)
Arising from acquisition (<i>note 35</i>)	(23,499)	–	–	(23,499)
Exchange differences	4,855	–	–	4,855
At 31 March 2016	(116,681)	(3,461)	(3,980)	(124,122)

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 2014	1,578	1,926	600	4,104
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	(25)	(357)	–	(382)
Exchange differences	–	3	–	3
At 31 March 2015 and 1 April 2015	1,553	1,572	600	3,725
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	(80)	(345)	–	(425)
Arising from acquisition (<i>note 35</i>)	2,012	–	–	2,012
Exchange differences	6	(71)	(30)	(95)
At 31 March 2016	3,491	1,156	570	5,217

NOTES TO FINANCIAL STATEMENTS

31 March 2016

20. 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:

	2016 HK\$'000	2015 HK\$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	(118,905)	(99,914)

The Group has tax losses arising in Hong Kong of HK\$122,630,000 as at 31 March 2016 (2015: HK\$104,443,000), 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 losses which 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:

	2016 HK\$'000	2015 HK\$'000
Tax losses	126,301	106,367

Deferred tax assets have not been recognised in respect of tax losses amounting to HK\$126,301,000 and HK\$106,367,000 as at 31 March 2016 and 31 March 2015, respectively. The tax losses amounting to HK\$3,671,000 as at 31 March 2016 (31 March 2015: HK\$1,924,000) will expire within the next 5 years for offsetting against future taxable profits. The tax losses of HK\$122,630,000 as at 31 March 2016 (2015: HK\$104,443,000) are available indefinitely for offsetting against future taxable profits in Hong Kong. Deferred tax assets have not been recognised as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

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.

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 recognised approximate HK\$34,610,000 (2015: HK\$23,580,000) in aggregate.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

21. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Inventories		
– Tombs	168,947	144,707

As at 31 March 2016, inventories of approximately HK\$138,167,000 (2015: HK\$121,330,000) are expected to be recovered in more than one year.

22. TRADE RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	1,034	22,458

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:

	2016 HK\$'000	2015 HK\$'000
60 to 90 days	1,034	–
Over 365 days	–	22,458
	1,034	22,458

NOTES TO FINANCIAL STATEMENTS

31 March 2016

22. TRADE RECEIVABLES (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	1,034	–
Over 365 days past due	–	22,458
	1,034	22,458

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Prepayments	56,401	38,114
Deposits and other receivables	105,738	75,602
	162,139	113,716
Less: Provision for impairment loss	74,467	74,467
	87,672	39,249
	2016 HK\$'000	2015 HK\$'000
Prepayments: Analysed into:		
Current	14,397	23,280
Non-current	42,004	14,834
	56,401	38,114

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

NOTES TO FINANCIAL STATEMENTS

31 March 2016

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

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

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

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Cash and cash equivalents			
Cash and bank balances:		109,911	81,506
Pledged time deposits	(a)	31,080	20,073
		140,991	101,579

As at 31 March 2016, the total of cash and cash equivalents and pledged time deposits of the Group denominated in Renminbi ("RMB") amounted to HK\$43,569,000 (2015: HK\$90,189,000). 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 FINANCIAL STATEMENTS

31 March 2016

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

Note:

- (a) As at 31 March 2016, the Group's bank deposits of approximately HK\$30,000,000 (2015: HK\$18,937,000) are pledged for the Group's bank borrowings amounting to approximately HK\$26,103,000 (2015: HK\$18,824,000); the Group's deposits of approximately HK\$1,080,000 (2015: HK\$1,136,000) were paid to a financial institution as pledged deposits for certain bank loans.

25. TRADE PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables	60,386	15,880

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

	2016 HK\$'000	2015 HK\$'000
Within 90 days	16,622	455
91 to 180 days	2,176	15,425
181 to 365 days	38,025	–
Over 1 year	3,563	–
	60,386	15,880

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

26. OTHER PAYABLES AND ACCRUALS

	2016 HK\$'000	2015 HK\$'000
Accruals	8,241	4,230
Deposits received	31,348	1,792
Other payables	27,880	1,696
	67,469	7,718

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

NOTES TO FINANCIAL STATEMENTS

31 March 2016

27. DEFERRED INCOME

	HK\$'000	
At 1 April 2014		16,202
Additions during the year		1,368
Released to profit or loss		(2,223)
Exchange realignment		14
At 31 March 2015 and 1 April 2015		15,361
Arising from acquisition (<i>note 35</i>)		2,960
Additions during the year		1,683
Released to profit or loss		(2,482)
Exchange realignment		(686)
At 31 March 2016		16,836
	2016	2015
	HK\$'000	HK\$'000
Analysed into:		
Current	3,017	2,271
Non-current	13,819	13,090
	16,836	15,361

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

NOTES TO FINANCIAL STATEMENTS

31 March 2016

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

2016			
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans			
– secured (<i>note (a)</i>)	5.5	December 2016	26,103
– guaranteed (<i>note (b)</i>)	5.85-6.18	May 2016-July 2016	33,003
			59,106
Non-current			
Bank loans			
– secured (<i>note (c)</i>)	5.95-6.18	May 2017-November 2019	65,407
Other borrowings			
– unsecured	12	June 2017	1,981
Bonds payable:			
– secured (<i>note (d)</i>)	7.61 (Semi- annually)	November 2017	89,583
			156,971
			216,077

2015			
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans			
– secured (<i>note (a)</i>)	7.02	November 2015	18,824
– secured (<i>note (c)</i>)	6.72-7.2	May 2015-November 2015	78,905
– guaranteed (<i>note (b)</i>)	6.42-7.56	May 2015-March 2016	18,937
			116,666
Non-current			
Bank loans:			
– secured (<i>note (c)</i>)	6.9	November 2018	8,837
			125,503

NOTES TO FINANCIAL STATEMENTS

31 March 2016

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2016 HK\$'000	2015 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	59,106	116,666
In the second year	26,163	–
In the third to fifth years, inclusive	39,244	8,837
	124,513	125,503
Other borrowings repayable:		
Within one year or on demand	–	–
In the second year	91,564	–
In the third to fifth years, inclusive	–	–
	216,077	125,503

Notes:

- (a) The balances are secured by the pledge of certain of the Group's bank deposits amounting to HK\$30,000,000 (note 24) (2015: HK\$18,938,000).
- (b) The balances are guaranteed by certain directors of the Company and their family members, and a non-controlling shareholder of a subsidiary.
- (c) The balances are secured by the pledge of certain of the Group's deposits with a financial institution amounting to HK\$1,080,000 (note 24) (2015: HK\$1,136,000) and guaranteed by certain directors of the Company and their family members, a non-controlling shareholder of a subsidiary and a financial institution, and the pledge of certain of the Group's buildings.
- (d) On 17 November 2015 (the "issue date"), the Company issued bonds with a principle amount of HK\$90,000,000 at an interest rate of 10% per annum, payable semi-annually in arrears on 17 May and 17 November in each year. The bonds will mature on 16 November 2017 (the "initial maturity date") unless the Company delivers written notice to the bondholders no earlier than 60 days and at least fifteen business days prior to the initial maturity date to extend for a further 12-month period.

Unless previously redeemed, any outstanding bonds shall be redeemed on the maturity date at redemption amount of the 100% outstanding principle amount plus outstanding interest and other payment accrued and outstanding.

The bondholder may require the Company to redeem the bonds upon the occurrence of any of the events of default as stipulated in the agreement at the redemption amount of the 100% outstanding principle amount plus interests and premium which will provide the bondholder with an annual compounded cumulative internal rate of return of 20% per annum on such redemption amount.

The bonds are guaranteed by Mr. Shi Hua, and secured by Mr. Shi Hua's shares in the Company.

- (e) Except for the bonds payable which are denominated in Hong Kong dollars, all borrowings are in RMB.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

29. AMOUNT DUE TO NON-CONTROLLING SHAREHOLDERS

	2016 HK\$'000	2015 HK\$'000
Current	49,123	1,171
Non-current	38,141	–
	87,264	1,171

As at 31 March 2016, the current portion of amount due to non-controlling shareholders of HK\$10,719,000 (2015: HK\$1,171,000) is non-trade in nature, unsecured, interest-free and repayable on demand; HK\$38,404,000 (2015: Nil) is arising from cash consideration unpaid to non-controlling shareholders as set out in note 35(ii).

As at 31 March 2016, the non-current portion of amount due to non-controlling shareholders is non-trade in nature, unsecured, interest-free and repayable in November 2017. Such amount is recorded at amortised cost based on the market interest rate (2015: Nil).

30. CONVERTIBLE BONDS

On 17 November 2015 (the “issue date”), the Company issued convertible bonds (the “CB”) with a principle amount of HK\$50,000,000 with an initial conversion price of HK\$0.14975 per ordinary share of the Company (subject to certain anti-dilutive adjustments). The CB will mature on 16 November 2017 (the “initial maturity date”) unless the Company delivers written notice to the bondholders no earlier than 60 days and at least fifteen business days prior to the initial maturity date to extend for a further 12-month period.

Pursuant to the bond subscription agreement, the CB is:

- (a) convertible at the option of the bondholders into ordinary shares of the Company at any time from the issue date to the maturity date; and
- (b) redeemable at the option of the bondholder upon the occurrence of any of the events of default as stipulated in the agreement at redemption amount of the 100% outstanding principle amount plus interests and premium which will provide the bondholder with an annual compounded cumulative internal rate of return of 20% per annum on such redemption amount.

The coupon interest rate is 7.0% per annum, payable semi-annually in arrears on 17 May and 17 November in each year. Unless previously redeemed, or converted to ordinary shares of the Company, any outstanding CB shall be redeemed on the maturity date at the redemption amount of the 100% outstanding principle amount plus outstanding interest and a premium which will provide the bondholder with an annual compounded cumulative internal rate of return of 10% per annum on such redemption amount.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

30. CONVERTIBLE BONDS (CONTINUED)

The convertible bonds are guaranteed by Mr. Shi Hua, and secured by Mr. Shi Hua's shares in the Company.

Since the conversion options embedded in the CB do not meet the definition of equity instruments of the Company, the entire convertible bonds are accounted for as financial liabilities, and separated into the host debt component and embedded derivative component. On issuance of the convertible bonds, the fair value of the derivative component is determined using an option pricing model and this amount is accounted for as financial liabilities at fair value through profit or loss. The host debt component is initially recognised as the excess of proceeds over the amount initially recognised as the derivative component, net of transaction costs allocated to the host debt component, and is subsequently measured at amortised cost.

The convertible bonds recognised on initial recognition are as follows:

	2016 HK\$'000
Nominal value of convertible bonds issued	50,000
Direct transaction costs attributable to the host debt component	(169)
Initial embedded derivative component	(17,300)
Host debt component on initial recognition upon issuance	32,531

The movements in the host debt component for the year ended 31 March 2016 are as follows:

	2016 HK\$'000
Newly issued host debts	32,531
Interest expense	3,694
Interest payable	(2,225)
Host debt component at 31 March 2016	34,000

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

NOTES TO FINANCIAL STATEMENTS

31 March 2016

30. CONVERTIBLE BONDS (CONTINUED)

The movements in the derivative component embedded in the CB for the year ended 31 March 2016 are as follows:

	2016 HK\$'000
Newly issued	17,300
Fair value changes recognised in the statement of profit or loss (<i>note 5</i>)	(7,600)
Embedded derivatives component at 31 March 2016	9,700

The fair values of the derivative component are determined based on the valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers, using the applicable option pricing model.

31. 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 (Asia-Pacific) Surveyors Limited. The CN were priced as prepaid forward, an arrangement in which one can pay for the stock today and receive the stock at an agreed-upon date. Generally, the price of a prepaid forward is equal to the spot asset price. In valuing the CN, adjustment has been made for the dilution effect of the issue of the CN.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

31. CONVERTIBLE NOTES (CONTINUED)

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

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

On 25 February 2015 and 25 March 2015, part of the CN with an aggregate amount of HK\$30,000,000 and HK\$15,000,000 were converted at the conversion price of HK\$0.10 each into 300,000,000 and 150,000,000 ordinary shares of the Company at HK\$0.10 each, respectively (note 32(c)).

On 6 July 2015, part of the CN with an aggregate amount of HK\$3,000,000 were converted at the conversion price of HK\$0.10 each into 30,000,000 ordinary shares of the Company at HK\$0.10 each (note 32(c)).

32. SHARE CAPITAL

Shares

	2016 HK\$'000	2015 HK\$'000
Issued and fully paid: 5,434,453,000 (2015: 5,291,623,000) ordinary shares	543,445	529,162

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

	Number of shares ('000)	Nominal value HK\$'000
Issued and fully paid:		
At 1 April 2014	4,440,623	444,062
Issue of shares (Note (a))	320,000	32,000
Equity-settled share option arrangements (Note (b))	81,000	8,100
Conversion of convertible notes on 25 February 2015 and 25 March 2015 (Note (c))	450,000	45,000
At 31 March 2015 and 1 April 2015	5,291,623	529,162
Issue of shares (Note (a))	66,930	6,693
Equity-settled share option arrangements (Note (b))	45,900	4,590
Conversion of convertible notes on 6 July 2015 (Note (c))	30,000	3,000
At 31 March 2016	5,434,453	543,445

NOTES TO FINANCIAL STATEMENTS

31 March 2016

32. SHARE CAPITAL (CONTINUED)

Shares (Continued)

Notes:

- (a) 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.

On 19 February 2016, the Company issued 66,930,000 shares with a value of HK\$0.161 each as part of the consideration for the Group's acquisition of the 70% equity interest in Yin Chuan Fu Shou Yuan. Further details are included in note 35.

All new shares issued during the years ended 31 March 2016 and 2015 rank pari passu with other shares in issue in all respects.

- (b) On 31 March 2015, the subscription rights attaching to 81,000,000 share options were exercised at the subscription price of HK\$0.101 per share (note 34), resulting in the issue of 81,000,000 shares for a total cash consideration of HK\$8,181,000.

On 14 April 2015, the subscription rights attaching to 45,900,000 share options were exercised at the subscription price of HK\$0.101 per share (note 34), resulting in the issue of 45,900,000 shares for a total cash consideration of HK\$4,636,000.

- (c) 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.

On 6 July 2015, part of the CN with an aggregate principal amount of HK\$3,000,000 with a corresponding fair value of HK\$1,341,455 were converted at the conversion price of HK\$0.10 each into 30,000,000 ordinary shares of the Company at HK\$0.10 each. An amount of HK\$1,658,545, representing the difference between the principal amount of the shares and the corresponding fair value of the CN, was charged to share premium account.

33. RESERVES

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 40 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

33. RESERVES (CONTINUED)

Statutory reserve fund (Continued)

In accordance with the 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 these financial statements which are 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.

34. 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 a 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 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

34. SHARE OPTION SCHEME (CONTINUED)

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.

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

	Weighted average exercise price HK\$ per share	Number of options '000
At 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 and 1 April 2015	0.250	210,762
Exercised during the year	0.101	(45,900)
Granted during the year	0.138	272,000
At 31 March 2016	0.196	436,862

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.162 per share (2015: HK\$0.144 per share).

NOTES TO FINANCIAL STATEMENTS

31 March 2016

34. SHARE OPTION SCHEME (CONTINUED)

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

2016 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
77,162	0.101	3 April 2012 to 17 July 2018
45,000	0.415	3 April 2012 to 17 July 2018
272,000	0.138	6 August 2015 to 17 July 2018
436,862		

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		

On 5 August 2015, the Board of Directors of the Company has resolved to award an aggregate of 272,000,000 share options to five executive directors, one non-executive director, three independent directors and independent consultants, "Selected participants". Selected participants under the Scheme of which (i) 202,000,000 share options were awarded to five executive directors, one non-executive director and three independent directors; and (ii) 70,000,000 share options were awarded to the Group's independent consultants. These share options vest on 5 August 2015 and have an exercise price of HK\$0.138 per share and an exercise period ranging from 6 August 2015 to 17 July 2018. The price of the Company's shares at the date of grant was HK\$0.133 per share.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

34. SHARE OPTION SCHEME (CONTINUED)

The fair value of the share options granted during the year was HK\$11,700,000, of which (i) HK\$8,600,000 for share options granted to directors and independent directors (HK\$0.0426 each); and (ii) HK\$3,100,000 for share options granted to independent consultants (HK\$0.0443 each) (2015: Nil). The Group recognised a share option expense of HK\$11,700,000 (2015: Nil) during the year ended 31 March 2016.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant by LCH (Asia-Pacific) Surveyors Limited using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.00
Volatility (%)	62.00
Risk-free interest rate (%)	0.63
Contractual life of options (years)	3.00
Forfeiture rate (%)	25
Exercise level	3.3
Weighted average share price (HK\$ per share)	0.138

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessary be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 45,900,000 share options exercised during the year resulted in the issue of 45,900,000 ordinary shares of the Company and new share capital of HK\$4,590,000, as further detailed in note 32 to the financial statements.

During the year, no share options (2015: 4,000,000 shares) lapsed.

All options outstanding as at 31 March 2016 (2015: All) were exercisable. The options outstanding at 31 March 2016 had a weighted average remaining contractual life of 2.2 years (2015: 3.2 years).

At the end of the reporting period, the Company had 436,862,000 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 436,862,000 additional ordinary shares of the Company.

35. BUSINESS COMBINATION

The acquisitions of subsidiaries accounted for as business combination are as follows:

(i) Acquisition of 70% equity interest in Yin Chuan Fu Shou Yuan Humanistic Cultural Memorial Park Co., Ltd. ("Yin Chuan Fu Shou Yuan")

On 31 December 2015, the Group acquired 70% of equity interest in Yin Chuan Fu Shou Yuan from third parties at a total consideration of HK\$53,633,000. Yin Chuan Fu Shou Yuan is engaged in sale of burial plots and was acquired as part of the Group's strategy to expand its market share of the cemetery business. The purchase consideration for the acquisition was partly in the form of cash, and partly in the form of issued shares. As at 31 March 2016, consideration of HK\$19,084,000 was paid by cash and HK\$10,776,000 was satisfied by issuance of Company's shares of 66,930,000 as set out in note 32.

Pursuant to the investment agreement, after completion of the acquisition, Shanghai Anxian Yuan will inject a sum of HK\$39,738,000 into the Yin Chuan Fu Shou Yuan as share premium. As at 31 March 2016, Shanghai Anxian Yuan has injected HK\$38,197,000 to Yin Chuan Fu Shou Yuan.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

35. BUSINESS COMBINATION (CONTINUED)

(ii) Acquisition of 80% equity interest in Zunyi Shixiang Dashenshan Cemeteries Co., Ltd. (“Zunyi Dashenshan”)

On 31 March 2016, the Group acquired 80% equity interest in Zunyi Dashenshan from two independent individual shareholders at a total consideration of HK\$48,005,000. Zunyi Dashenshan is engaged in the sale of burial plots and was acquired as part of the Group’s strategy to expand its market share of the cemetery business. As at 31 March 2016, part of the consideration of HK\$9,601,000 has been settled in cash.

The fair values of the identifiable assets and liabilities of above subsidiaries acquired during the year were as follows:

	<i>Notes</i>	Fair value recognised on acquisition HK\$'000
Cash and cash equivalents		1,287
Prepayments and other receivables		534
Trade receivables		1,034
Inventories		16,100
Property, plant and equipment	13	94,564
Intangible assets	15	101,686
Deferred tax assets	20	2,012
Cemetery assets	19	92,407
Accruals and other payables		(68,789)
Trade payables		(45,212)
Tax payables		(1,175)
Amount to non-controlling shareholders		(47,742)
Deferred tax liabilities	20	(23,499)
Deferred income	27	(2,960)
Interest-bearing bank and other borrowings		(1,982)
		<hr/>
Total identifiable net assets at fair value		118,265
Non-controlling interests		(29,409)
		<hr/>
		88,856
Goodwill on acquisition	16	13,340
Gain on bargain purchase of a subsidiary	5	(558)
		<hr/>
		101,638
		<hr/>
Satisfied by:		
Cash consideration paid		28,685
Issue of shares (<i>note 32</i>)		10,776
Cash consideration payable		62,177
		<hr/>
		101,638
		<hr/>

NOTES TO FINANCIAL STATEMENTS

31 March 2016

35. BUSINESS COMBINATION (CONTINUED)

The fair values of trade receivables and other receivables as at the date of acquisition amounted to HK\$1,034,000 and HK\$534,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK\$1,034,000 and HK\$534,000, respectively.

None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred transaction costs of HK\$506,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the statement of profit or loss.

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

	HK\$'000
Consideration settled by cash	(28,685)
Cash and cash equivalents acquired	1,287
	<hr/>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(27,398)

The acquisitions contributed HK\$4,336,000 to the Group's revenue and HK\$52,000 to the consolidated profit for the year ended 31 March 2016.

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\$135,762,000 and HK\$8,879,000, respectively.

36. DISPOSAL OF SUBSIDIARIES

The major disposal during the year is set out as follows:

In March 2016, Shanghai Anxian Yuan entered into an equity interest transfer agreement with an independent third party to dispose of 51% equity interests in Hebei Anxian Yuan Funeral Product Supply Co., Ltd. at a consideration of HK\$3,060,000.

In March 2016, Shanghai Anxian Yuan entered into an equity interest transfer agreement with an independent individual to dispose of 51% equity interests in Guizhou Pan County Anxian Yuan Cemetery Arts Company Limited at a consideration of HK\$6,121,000.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

36. DISPOSAL OF SUBSIDIARIES (CONTINUED)

The total net assets disposed of in respect of the disposal of the subsidiaries during the year were as follows:

	Note	HK\$'000
Net assets disposed of:		
Property, plant and equipment	13	89
Inventories		1,193
Prepayments, deposits and other receivables		21,410
Cash and cash equivalents		21
Other payables and accruals		(8,893)
Non-controlling interests		(4,885)
		<hr/>
		8,935
Release of exchange fluctuation reserve upon disposals		336
Loss on disposal of subsidiaries		(90)
		<hr/>
		9,181
		<hr/>
Satisfied by:		
Other receivables		9,181
		<hr/>
An analysis of the cash flows in respect of the disposal of the subsidiaries is as follows:		
Cash consideration		–
Cash and cash equivalents disposed of		(21)
		<hr/>
Net outflow of cash and cash equivalents included in cash flows from investing activities		(21)
		<hr/>

37. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

38. OPERATING LEASE COMMITMENTS

As lessee

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

At 31 March 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,714	2,385
In the second to fifth years, inclusive	410	837
	2,124	3,222

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
Contracted, but not provided for:		
Proposed acquisition of land use rights	9,601	10,137
Project construction	-	53
	9,601	10,190

40. RELATED PARTY TRANSACTIONS

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

(a) Other transactions with related parties

The Company has guaranteed the bonds payable and convertible bonds with all assets and undertakings of Mr. Shi Hua and the controlling shareholder, including shares of the Company. Details are set out in note 28 and note 30 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

The Group had outstanding balance to the non-controlling shareholders (note 29) as at the end of the reporting period.

(c) Compensation of key management personnel of the Group

The directors are of the opinion that the key management are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and are defined as the executive directors, non-executive directors and the chief executive officer of the Company. Details of the key management remuneration are set out in note 8 to the financial statements.

41. 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:

2016

Financial assets

	Loans and receivables HK\$'000	Available-for- sale financial assets HK\$'000	Total HK\$'000
Available-for-sale investments	–	2,400	2,400
Trade receivables	1,034	–	1,034
Financial assets included in prepayments, deposits and other receivables	31,271	–	31,271
Pledged deposits	31,080	–	31,080
Cash and cash equivalents	109,911	–	109,911
	173,296	2,400	175,696

NOTES TO FINANCIAL STATEMENTS

31 March 2016

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2016

Financial liabilities

	Financial liabilities at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Trade payables	–	60,386	60,386
Financial liabilities included in other payables and accruals (<i>note 26</i>)	–	36,121	36,121
Interest-bearing bank and other borrowings	–	216,077	216,077
Liability component of convertible bonds	–	34,000	34,000
Derivative component of convertible bonds	9,700	–	9,700
Amount due to non-controlling shareholders	–	87,264	87,264
	9,700	433,848	443,548

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

NOTES TO FINANCIAL STATEMENTS

31 March 2016

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2015

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade payables	15,880
Financial liabilities included in other payables and accruals (<i>note 26</i>)	5,926
Interest-bearing bank and other borrowings	125,503
Amount due to a non-controlling shareholder	1,171
	148,480

42. 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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Financial liabilities				
Interest-bearing bank and other borrowings	216,077	125,503	216,183	125,567
Liability component of convertible bonds	34,000	–	37,400	–
Derivative component of convertible bonds	9,700	–	9,700	–
	259,777	125,503	263,283	125,567

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, and amount due to non-controlling shareholders 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 following methods and assumptions were used to estimate the fair values:

NOTES TO FINANCIAL STATEMENTS

31 March 2016

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

The fair values of the non-current portion of interest-bearing bank and other 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 and other borrowings as at 31 March 2016 was assessed to be insignificant. The fair value of the host debts of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2016:

	Valuation technique	Significant unobservable input	Ratio	Sensitivity of fair value to the input
Derivative component of convertible bonds	Binomial model	Volatility	65%	10% increase in volatility would result in increase in fair value by HK\$1,037,000
		Liquidity spread	23%	5% increase in liquidity spread would result in decrease in fair value by HK\$176,000
		Risky discount rate	15.83%	1% increase in Risky discount rate would result in increase in fair value by HK\$57,000

NOTES TO FINANCIAL STATEMENTS

31 March 2016

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

As at 31 March 2016

	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	
Derivative component of convertible bonds	–	–	9,700	9,700

Liabilities for which fair values are disclosed:

As at 31 March 2016

	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 and other borrowings	–	216,183	–	216,183
Liability component of convertible bonds	–	–	37,400	37,400
	–	216,183	37,400	253,583

NOTES TO FINANCIAL STATEMENTS

31 March 2016

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)

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 and other borrowings	–	125,567	–	125,567

43. 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.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 convertible bonds) carried at effective interest rates with reference to the market (notes 24, 28 and 30). 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
2016		
RMB	50	(305)
RMB	(50)	305
2015		
RMB	50	(40)
RMB	(50)	40

NOTES TO FINANCIAL STATEMENTS

31 March 2016

43. 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 did not have significant exposure to foreign currency risk both at 31 March 2016 and 31 March 2015.

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% (2015: 100%) and 100% (2015: 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 customers and reviews the overdue balances regularly. In this regard, the directors consider that the Group's credit risk is significantly reduced.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

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 mainland of 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 22 and 23, respectively.

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 shareholders, an 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:

NOTES TO FINANCIAL STATEMENTS

31 March 2016

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

2016

	Within 1 year or on demand HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	60,386	–	60,386
Other payables and accruals	36,121	–	36,121
Interest-bearing bank and other borrowings	78,094	189,608	267,702
Liability component of convertible bonds	6,000	62,000	68,000
Amount due to non-controlling shareholders	49,123	41,181	90,304
	229,724	292,789	522,513

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 and other borrowings	124,416	9,088	133,504
Amount due to a non-controlling shareholder	1,171	–	1,171
	147,393	9,088	156,481

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2016

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 2016 and 31 March 2015.

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 2016 amounted to approximately HK\$541,380,000 (2015: HK\$543,205,000), 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.

The net debt to equity ratios at the end of the years are as follows:

	2016 HK\$'000	2015 HK\$'000
Interest-bearing bank and other borrowings	216,077	125,503
Liability component of convertible bonds	34,000	–
Less: Cash and cash equivalents	(109,911)	(81,506)
Net debt	140,166	43,997
Total equity	590,287	552,120
Gearing ratio (%)	24	8

44. EVENTS AFTER THE REPORTING DATE

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

NOTES TO FINANCIAL STATEMENTS

31 March 2016

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	194	472
Investments in subsidiaries	9	9
Total non-current assets	203	481
CURRENT ASSETS		
Deposits and other receivables	1,425	337
Amounts due from subsidiaries	495,166	445,820
Pledged deposits	30,000	–
Cash and cash equivalents	62,058	8,022
Total current assets	588,649	454,179
CURRENT LIABILITIES		
Other payables and accruals	6,432	1,746
Derivative component of convertible bonds	9,700	–
Total current liabilities	16,132	1,746
NET CURRENT ASSETS	572,517	452,433
TOTAL ASSETS LESS CURRENT LIABILITIES	572,720	452,914
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	89,583	–
Liability component of convertible bonds	34,000	–
Total non-current liabilities	123,583	–
Net assets	449,137	452,914
EQUITY		
Share capital	543,445	529,162
Reserves	(94,308)	(76,248)
Total equity	449,137	452,914

Shi Hua
Director

Law Fei Shing
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2016

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Convertible notes reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2014	225,296	16,882	88,536	(366,487)	(35,773)
Total comprehensive loss for the year	–	–	–	(17,895)	(17,895)
Issue of shares	22,339	–	–	–	22,339
Exercise of share options	2,689	(2,608)	–	–	81
Conversion of convertible notes	(24,878)	–	(20,122)	–	(45,000)
Lapse of share options	–	(129)	–	129	–
At 31 March 2015 and 1 April 2015	225,446	14,145	68,414	(384,253)	(76,248)
Total comprehensive income for the year	–	–	–	(30,889)	(30,889)
Issue of shares	4,083	–	–	–	4,083
Exercise of share options	1,524	(1,478)	–	–	46
Conversion of convertible notes	(1,659)	–	(1,341)	–	(3,000)
Equity-settled share option arrangements	–	11,700	–	–	11,700
At 31 March 2016	229,394	24,367	67,073	(415,142)	(94,308)

46. COMPARATIVE AMOUNTS

The comparative consolidated statement of cash flows has been reclassified to conform with current year's presentation and disclosures. As the reclassified amount is immaterial, no further disclosure on restatement is disclosed.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2016.

GLOSSARY

In this annual report (other than the report and financial statements from pages 34 to 120), 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	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
Hangzhou Haoletian	杭州好樂天禮儀服務有限公司 (in English, for identification purposes, Hangzhou Haoletian Etiquette Services Co., Ltd), a company established in the PRC with limited liability
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

GLOSSARY

Remuneration Committee	the remuneration committee of the Company
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, 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 2016
Yin Chuan Fu Shou Yuan	銀川福壽園人文紀念園有限公司 (In English, for identification purpose, Yin Chuan Fu Shou Yuan Humanistic Cultural Memorial Park Co. Ltd.), a limited liability company established under the laws of the PRC
Zhejiang Anxian Yuan	浙江安賢陵園有限責任公司 (in English, for identification purpose, Zhejiang Anxian Yuan Company Limited), a limited liability company established under the laws of the PRC
Zunyi Dashenshan	遵義詩鄉大神山生態陵園有限公司 (In English, for identification purpose, Zunyi Dashenshan Dashenshan Cemeteries Co. Ltd.), a limited liability company established under the laws of the PRC
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of PRC
US\$	United States dollars, the lawful currency of USA
%	per cent