



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
2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Wang Hongjie
Mr. Cheng Gang

Independent Non-executive Directors

Mr. Chan Koon Yung
Mr. Lai Chun Yu
Mr. Li Xigang
Mr. Lum Pak Sum

COMPANY SECRETARY

Mr. Law Fei Shing

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

WEBSITE

www.anxianyuanchina.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Anxian Yuan China Holdings Limited, I hereby present the report of the Group for the financial year ended 31 March 2017.

During the Year, leveraged on the advantages of its long established stable platform, the Group proactively enhanced its strategic layout while continued to optimize its internal management. The core businesses of the Group maintained its strong growth momentum despite the general slowdown in economic growth in mainland China.

During the period under review, the Group actively developed and grew its core businesses. As the flagship project of the Group, Zhejiang Anxian Yuan demonstrated strong profitability and growth momentum, and posted a record high in terms of total revenue again during the Year. Meanwhile, under the theme of propagate quality funeral culture, Zhejiang Anxian Yuan conveyed modern humanistic spirit of respecting life and venerating life to society, and constantly enhanced the contents of its funeral services and vigorously conducted community promotional campaigns on patriotism education as well as life and cultural education, thereby established a high ground for life and spiritual homeland with humanistic characteristics of Zhejiang, which is highly appreciated and well recognized by governments at all levels and the communities. Yin Chuan Fu Shou Yuan, a member of the Group, has also showed exciting development potential. Under the sophisticated operational philosophy of the Group, Yin Chuan Fu Shou Yuan, being one of the cemeteries with the greatest development advantages in its region, will be developed into a first-class humanistic cultural memorial park in the western region and it will become an excellent role model for the deployment and commencement of operations of the Group in other regions. In March 2016, the Group acquired Zunyi Dashenshan Cemeteries, which is overall designed as comprehensive funeral facilities integrating funeral parlor and cemetery. During the Year, this project cremated over 4,000 bodies, buried bone ashes and performed rituals for local residents, which indicated great linkage effect among “funeral”, “burial” and “ritual”. During the period under review, Zunyi Dashenshan Cemeteries showed significant future profitability potential while satisfied the funeral needs of local residents. In addition, the Group actively responded to the call from the Ministry of Civil Affairs by leading the “Land-Saving Ecological Burial” in Hangzhou region, continuing to carry out “The Yellow River Ecological Burial” in Yinchuan region and taking the lead to carry out the “Land-Saving Ecological Burial” in Zunyi so as to effectively drove the funeral reform in such regions and increased the market influence of the Group in the domestic funeral industry.

During the Year, the Group continued to strengthen and upgrade its wholly-owned Hangzhou Haoletian Funeral Project. As the first private funeral parlor in the Hangzhou region recognized by the municipal government of Hangzhou, this project became a benchmark for funeral services in the region by adhering to scientific management and humanistic service. According to the strategic planning and objectives of the board of directors of the Group, the Group intends to penetrate the “funeral” market and achieves comprehensive development of “funeral” and “burial” businesses. Based on this foundation, the Group will gradually promote the strategic cooperation with the government, elderly care industry and insurance institutions in order to create more room for the expansion of the core businesses of the Group.

CHAIRMAN'S STATEMENT

In order to recruit talents for ensuring the healthy and sustainable development of the Group, we successfully organized an “operation and management course” which lasted for six months. The course helped enhance the overall quality of the management personnel of the Group and were beneficial to the human resources structure of the Group, and also retained talents for the long-term development of the Group. At the same time, the Group continued to enhance the management and integration of its subsidiaries by infusing the humanistic spirit and working philosophy of “Anxian People” into them in order to make all basic management work more solid, stable and effective.

As one of the leaders in the funeral industry in the PRC, the Group is also a company listed on the Hong Kong Stock Exchange with principal business solely consists of funeral business in mainland China. The Group is also a firm implementer in the PRC focusing on humanistic and arts cemeteries complimented with fine and quality funeral services. On behalf of the management and together with all staff, I will continue to learn modestly, to expand and innovate and provide services of the best quality sincerely in an effort to achieve the objective of “Touching the hearts of people in both worlds” and to create a humanistic image with funeral culture and corporate culture complementing each other in the new financial year. The Group will also continue to promote the modernization process of the funeral industry in China through upholding mature management experience, acute industry insight and contemporary innovative spirit. While constantly improving internally, the Group will continue to expand the market of its core businesses through better strategic planning and advanced operational philosophy so as to seize development opportunities and overcome future challenges. We wish to establish a new benchmark of the Chinese funeral concepts with a leadership image in the funeral industry in the PRC, to serve and reward society and our customers with quality services and to reward our shareholders and investing public with outstanding results.

Shi Hua

Chairman

Hong Kong, 21 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

“When one is alive, be served with propriety; when dead, be buried with propriety and worshipped with propriety” [生·事之以禮·死·葬之以禮·祭之以禮]. The long-standing customs of “burial” and “ritual” are profound in traditional culture in the Orient. Not only the customs show respectful associations and connections to the deceased, but it manifests the inheritance of filial piety in traditional Chinese culture. Every year, the number of mortality in mainland China is nearly 10 million, whereas the rate reached 0.71% in 2016. As the most populous country, China is estimated to have 248 million of the aged population in 2020, accounting for 17% of the total population. With such enormous population base, the market potential of the funeral industry should not be overlooked.

According to the National Bureau of Statistics of China, the per capita disposable income of residents in China from 2011 to 2016 recorded an accumulated actual growth of 62.6%. Meanwhile, the growth of rural residents in China has continued to be faster than that of urban residents. In view of the accelerating pace of urbanization process and further deepening of funeral reform, we believe that the funeral industry will undoubtedly continue to sail upwind as a promising sunrise industry against the backdrop of international economic slowdown.

BUSINESS REVIEW

Being the “pioneer” in the funeral industry in mainland China, the Group has abundant land resources reserves and advanced operation and management philosophy. With the core businesses of the Group continued to strengthen, we developed our business footprint in an orderly manner and further optimized industrial distribution that has been gradually opening up a gateway for strong growth of flagship projects and bringing about burgeoning impetus for new projects.

During the period under review, Zhejiang Anxian Yuan was a flagship project of the Group, which again posted a record high in its results and maintained a steadily rapid growth. Likewise, during the Year, two quality projects of the Group, namely Yin Chuan Fu Shou Yuan and Zunyi Dashenshan Cemeteries, also showed good momentum of development – The former achieved rapid growth and successfully met its operation targets, whilst the latter acted as another attempt by the Group to enter the market in the western China where it has shown strong market potential. With the linkage effect of “funeral parlor” and “cemetery”, it aims for deepening funeral reform and becoming a role model in comprehensive funeral services and facilities in the western region of the PRC.

The Group has been upholding its sense of mission and responsibility towards the industry and society, and proactively responding to the “Guiding Opinions on the Promotion of Land-Saving Ecological Burial” (「關於推行節地生態安置的指導意見」) which was jointly issued by nine ministries including the Ministry of Civil Affairs. An ecological art park with new concepts was set up at Zhejiang Anxian Yuan in order to advocate land-saving ecological burial, adhere to the green development concept and promote the construction of ecological civilization. The new concept of ecological art park is in the form of eco-protection cum art park by incorporating a variety of ecological burial methods with modern civilized spirit in a bid to explore a funeral development model which aligns with social development, shows ultimate quality of life and national-cultural spirit, and comprises the value and significance of the times and promotion. We are committed to contributing our efforts in propelling the funeral reform to a new height and to establishing a milestone for green funeral. Such moves attracted and received wide attention plus unanimous affirmation from the public that earned us a recognition as a regional patriotism education base. In addition, the Group was awarded the accolade of “Influencing with Zhejiang in 2015” (「感動浙江」) as one of the top 10 highlight enterprises in the funeral industry by Zhejiang Funeral Association.

MANAGEMENT DISCUSSION AND ANALYSIS

In the new financial year, the Group will also persist in developing diversified and adaptive corporate culture, coupled with exploring market presence through strategic development with a focus on good market prospects and ample funeral resources in small and medium-sized cities in the country. Leveraging our keen insight and a wealth of management experience into the funeral industry, together with our success in the Hangzhou Haoletian Funeral Project which is wholly-owned by the Group, it bodes well for a balanced industrial pattern between “funeral” and “burial”. The Group will center on four aspects – expansion, rationalization, upgrading, and efficiency – contributing to an all-round augmentation of the core businesses of the Group by merging the traditional Chinese values with the cultural thoughts in the West. Simultaneously, we will continue to deepen and explore the modes and scope of cooperation with local governments and institutions for the elderly to build our capacity and consolidate our foundation paving the way for the Group to further capture opportunities in merger and acquisition, innovation and development.

FINANCIAL REVIEW

For the Year, the Group recorded net profit of approximately HK\$5.8 million (2016: approximately HK\$9.8 million) on turnover of approximately HK\$162 million (2016: approximately HK\$108 million). The Group’s earnings before interest and tax was approximately HK\$41.4 million (2016: approximately HK\$19.4 million). Decrease in the Group’s net profit by approximately HK\$4 million year-on-year was mainly due to higher finance costs.

The increase in turnover by approximately HK\$54 million (or approximately 50%) was mainly attributable to the generic growth of our flag ship cemetery, Zhejiang Anxian Yuan, coupled with the contributions from our two new members, Yin Chuan Fu Shou Yuan and Zunyi Dashenshan. Of the total turnover of approximately HK\$162 million, tomb sales amounted to approximately HK\$139 million (2016: approximately HK\$101 million). Total number of tomb sold for the Year was 2,126 units (2016: 1,247 units).

Gross assets and net assets of the Group as at 31 March 2017 were approximately HK\$1,155 million (2016: approximately HK\$1,221 million) and approximately HK\$554 million (2016: approximately HK\$590 million) respectively. The decrease in net assets was mainly due to devaluation of RMB against HK\$.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the net cash inflow was approximately HK\$9.3 million (2016: approximately HK\$32.2 million). As at 31 March 2017, the cash and cash equivalents of the Group was approximately HK\$110.1 million (2016: approximately HK\$109.9 million). The Group had short term bank and other borrowings of approximately HK\$165.5 million (2016: approximately HK\$59.1 million) and long term bank and other borrowings of approximately HK\$141.5 million (2016: approximately HK\$157 million) as at 31 March 2017.

On 17 November 2015, the Company issued guaranteed and secured bonds and guaranteed and secured convertible bonds with principle amounts of HK\$90 million and 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. Details of the issuances are set out in notes 28 and 30 to the financial statements. As at 31 March 2017, the Company had utilised approximately HK\$83.7 million of the net proceeds for acquisition of assets and approximately HK\$49.8 million as general working capital. On 16 May 2017, the Company and all interested parties entered into a deed of termination and release pursuant to which the parties mutually agreed for the early redemption and termination of the guaranteed and secured bonds and guaranteed and secured convertible bonds in full at the redemption price of approximately HK\$151.9 million. The early redemption was funded by the internal resources of the Group and by a loan provided by Excel Precise International Limited (“Excel Precise”) in the amount of HK\$100 million. Excel Precise is a holder of a money lenders licence under the Money Lenders Ordinance and is owned as to 25% by Mr. Law Fei Shing (“Mr. Law”), an Executive Director, and owned as to 73.5% by True Promise Investments Limited (“True Promise”), a company wholly-owned by Mr. Law. Mr. Law is the director of both Excel Precise and True Promise. The early redemption took place on 16 May 2017. Details are set out in the Company’s announcement dated 16 May 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The gearing ratio (total liabilities/total assets) at the end of the Year was 0.52 (2016: 0.52).

CHARGES ON ASSETS

As at 31 March 2017, no bank and other deposit was pledged for the Group's bank borrowings. As at 31 March 2016, the Group's bank deposits of approximately HK\$30 million was pledged for the Group's bank borrowings amounting to approximately HK\$26.1 million and the Group's deposit of approximately HK\$1.1 million was paid to a financial institution as pledged deposit for certain other bank borrowings. Details are set out in notes 24 and 28 to the financial statements.

LITIGATION

No outstanding litigation of the Group as at 31 March 2017 was noted.

FINANCIAL GUARANTEE

No outstanding financial guarantee of the Group as at 31 March 2017 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 2017, the Group had 15 employees (including Directors) (2016: 14 employees) and 365 employees (2016: 265 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\$42.7 million (2016: approximately HK\$38.2 million), of which contribution to mandatory provident fund and share options granted were approximately HK\$146,000 (2016: approximately HK\$150,000) and Nil (2016: HK\$8.6 million) respectively. Details of the share options granted are set out in note 34 to the financial statements.

SUBSCRIPTION OF NEW SHARES

No subscription of new shares was noted during the Year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Shi Hua, aged 65, 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 35, 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 Hangzhou Haoletian as a deputy general manager responsible for the company's overall business.

In 2007, Mr. Shi Jun worked for Zhejiang Anxian Yuan 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 57, 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 27 years of experience in the audit and accounting services.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Currently, Mr. Law is an executive director of China Assurance Finance Group Limited (stock code: 8090), and a non-executive director of each of Beautiful China Holdings Company Limited (stock code: 706), Pak Tak International Limited (stock code: 2668) (He was re-designated from the executive director to the non-executive director of Pak Tak International Limited on 16 December 2014) and S.Culture International Holdings Limited (stock code: 1255).

Mr. Law was an executive director and a non-executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355) from November 2014 to April 2016 and from April 2016 to December 2016 respectively. He was also the company secretary of Orient Securities International Holdings Limited (stock code: 8001) from February 2009 to May 2016 and an executive director and the company secretary of Bestway International Holdings Limited (now known as “Tai United Holdings Limited”) (stock code: 718) from January 2009 to May 2013 and from January 2009 to January 2013 respectively.

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 63, 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 was a director and the chief financial officer of Zhejiang Anxian Yuan, a subsidiary of the Company, from November 2010 to November 2016.

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

NON-EXECUTIVE DIRECTORS

Mr. Wang Hongjie, aged 63, was appointed as a Non-executive Director on 23 January 2014.

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

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.

Mr. Cheng Gang, aged 54, 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. He was subsequently re-designated as Non-executive Director and resigned as Deputy Chief Executive Officer on 1 September 2016.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Koon Yung, aged 59, 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.

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 40, 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 15 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, an executive director and company secretary of Amber Energy Limited (stock code: 90), whose shares are listed on the Main Board of the Stock Exchange, from April 2013 to June 2016 and May 2009 to June 2017 respectively and had worked for one of the big four international accounting firms.

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 54, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lum Pak Sum, aged 56, was appointed as an Independent Non-executive Director on 15 May 2017.

Mr. Lum obtained a master's degree in business administration from The University of Warwick in 1994 and a bachelor's degree in laws from University of Wolverhampton in 2002. He has been currently a non-practising fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. U.K. since 1996 and 1993 respectively. Mr. Lum possesses over 20 years working experience in money market and capital market.

Mr. Lum was an independent non-executive director of Pak Tak International Limited (stock code: 2668) from June 2014 to November 2014, Sinogreen Energy International Group Limited (stock code:1159) (now known as "Jimei International Entertainment Group Limited") from April 2009 to November 2014 and Asia Resources Holdings Limited (stock code: 899) from November 2010 to January 2015 whose shares are listed on the Main Board of the Stock Exchange.

Mr. Lum was also a non-executive director of Orient Securities International Holdings Limited (stock code: 8001), whose shares are listed on the Growth Enterprise Market ("GEM Board") of the Stock Exchange, for the period from January 2014 to June 2015.

Since August 2007, January 2014, December 2014, August 2016, June 2017 and May 2015, Mr. Lum has been an independent non-executive director of Great China Properties Holdings Limited (stock code: 21), Beautiful China Holdings Company Limited (stock code: 706), Yu Hua Energy Holdings Limited (stock code: 2728), Kwan On Holdings Limited (stock code: 1559), and S.Culture International Holdings Limited (stock code: 1255) whose shares are listed on the Main Board of the Stock Exchange and i-Control Holdings Limited (stock code: 8355), whose shares are listed on the GEM Board of the Stock Exchange, respectively. He has also been an independent director of Asia Green Agriculture Corporation, a company trading on the Over-the-Counter Bulletin Board in the United States of America, since September 2011 and privatized in November 2014.

SENIOR MANAGEMENT

Mr. Leung Woon Che, aged 63, 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 53 and 54.

The Directors do not recommend the payment of any dividend for the Year (2016: 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 24 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 43 to the financial statements and in the consolidated statement of changes in equity on page 57 respectively.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 March 2017, there was no reserve available to the Company for distribution (2016: Nil).

DONATIONS

No donation was noted during the Year (2016: 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 2017 (2016: Nil).

DIRECTORS' REPORT

BORROWINGS

Details of borrowings of the Group as at 31 March 2017 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 42 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*)

Non-executive Directors

Mr. Wang Hongjie

Mr. Cheng Gang (*Re-designated as Non-executive Director and resigned as Deputy Chief Executive Officer on 1 September 2016*)

Independent Non-executive Directors

Mr. Chan Koon Yung

Mr. Lai Chun Yu

Mr. Li Xigang

Mr. Lum Pak Sum (*Appointed on 15 May 2017*)

In accordance with Bye-laws No. 83(2), Mr. Lum Pak Sum shall hold office until the forthcoming AGM and, being eligible, offer himself for re-election at the forthcoming AGM.

In accordance with Bye-laws No. 84, Mr. Shi Hua, Mr. Shi Jun and Mr. Law Fei Shing will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

CHANGE OF DIRECTORSHIP

Mr. Cheng Gang has been re-designated from Executive Director to Non-executive Director and resigned as Deputy Chief Executive Officer with effect from 1 September 2016. Mr. Lum Pak Sum has been appointed as an Independent Non-executive Director and a member of each of Audit Committee, Remuneration Committee and Nomination Committee of the Company with effect from 15 May 2017. Further details of the change of the directorship are set out in the Company's announcements dated 26 August 2016 and 15 May 2017 respectively.

DIRECTORS' SERVICE CONTRACTS

Mr. Shi Hua, has entered into a service contract with the Company for a period of one year from 20 June 2011 and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

DIRECTORS' REPORT

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.

Mr. Law Fei Shing has entered into a service contract with the Company for a period of one year from 10 June 2009 and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

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

Mr. Cheng Gang has entered into a service contract with the Company for a period of one year from 1 September 2016 and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

Mr. Chan Koon Yung has entered into a service contract with the Company for a period of one year from 24 June 2014 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.

Mr. Lum Pak Sum has entered into a service contract with the Company for a period of one year from 15 May 2017 and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

All the Directors are subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to the Listing Rules and the Bye-laws.

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.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Law Fei Shing resigned a company secretary of Orient Securities International Holdings Limited (stock code: 8001), with effect from 19 May 2016 and resigned a non-executive director of Legend Strategy International Holdings Group Limited (stock code: 1355), with effect from 15 December 2016. Mr. Law also has been appointed as a non-executive director of S. Culture International Holdings Limited (stock code: 1255), with effect from 17 June 2017.

Mr. Lai Chun Yu resigned an executive director and company secretary of Amber Energy Limited (stock code: 90) with effect from 22 June 2016 and 5 June 2017 respectively

Mr. Lum Pak Sum has been appointed as an independent non-executive director of S. Culture International Holdings Limited (stock code: 1255), with effect from 17 June 2017.

DIRECTORS' REPORT

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 12 of the annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

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 existed during the Year.

COMPETING INTERESTS

As at 31 March 2017, none of Directors had any interest in a business which competes or may compete with the business of the Group.

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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 2017, 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 2017 which was 5,434,452,600.

Save as disclosed above, as at 31 March 2017, 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 2017, so far as is known to the Directors and Chief Executives, base on the public records filed on the website of the Stock Exchange and 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	60,260,000	–	60,260,000	1.11%	
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 2017 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 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 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 38 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 2017	Exercise price per Share HK\$
			Balance at 1 April 2016	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
Non-executive Directors									
Mr. Wang Hongjie	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

DIRECTORS' REPORT

Name and category of participant	Date of grant	Exercisable period	Number of options				Balance at 31 March 2017	Exercise price per Share HK\$	
			Balance at 1 April 2016	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
			229,000,000	-	-	-	-	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	66,162,260	-	-	-	-	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
			201,162,260	-	-	-	-	201,162,260	
Total			436,862,260	-	-	-	-	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 37% and 68% 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".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A report detailed the environment, social and governance report is set out in pages 38 to 47 in this report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 March 2014 were audited by BDO Limited.

The consolidated financial statements of the Company for the years ended 31 March 2015 and 2016 were audited by Ernst & Young.

The consolidated financial statements of the Company for the year ended 31 March 2017 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, 21 June 2017

FIVE YEAR SUMMARY

Year ended 31 March	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)	2013 HK\$'000 (Restated)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS					
Revenue	161,584	108,044	97,396	157,284	127,405
Profit before income tax	12,707	11,256	44,073	10,934	4,901
Income tax expense	(6,895)	(1,452)	(5,937)	(4,932)	(9,280)
Profit/(Loss) for the year	5,812	9,804	38,136	6,002	(4,379)
Profit/(Loss) attributable to:					
Owners of the Company	6,240	9,465	37,425	5,719	(20,088)
Non-controlling interests	(428)	339	711	283	15,709
	5,812	9,804	38,136	6,002	(4,379)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Non-current assets	789,572	864,169	554,049	466,180	467,347
Net current assets	34,827	87,954	119,912	108,033	103,962
Non-current liabilities	(270,124)	(361,836)	(121,841)	(123,350)	(135,967)
Net assets	554,275	590,287	552,120	450,863	435,342
Non-controlling interests	(45,411)	(48,907)	(8,915)	(8,198)	(6,520)
Equity attributable to owners of the Company	508,864	541,380	543,205	442,665	428,822

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the year ended 31 March 2017.

The Company is committed to achieving high standards 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's corporate governance practices are based on the principles and code provisions are set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Directors are of the view that the Company has been in compliance with the CG Code throughout the Year, except for the deviation from code provisions A.1.1 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 the Directors, all 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 ten members, including four Executive Directors, two Non-executive Directors and four 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*)

Non-executive Directors

Mr. Wang Hongjie

Mr. Cheng Gang (*Re-designated as Non-executive Director and resigned as Deputy Chief Executive Officer on 1 September 2016*)

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

Mr. Chan Koon Yung

Mr. Lai Chun Yu

Mr. Li Xigang

Mr. Lum Pak Sum (*Appointed on 15 May 2017*)

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 12 of this annual report.

Directors’ Liability Insurance

The Company has arranged for appropriate insurance cover in respect of legal action against the Directors.

Relationships between the Board

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

Currently, the Company has appointed four Independent Non-executive Directors which representing more than one-third of the Board as required by Rule 3.10A of the Listing Rules, and at least one of them having appropriate professional qualifications or accounting or related 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 and Management of the Company

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/her position in order to ensure that his/her fiduciary duties have been carried out in an efficient and effective manner.

The Board and the management of the Company (the “Management”) work together toward synergy in order to strive for excellent performance of the Company. The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the risk management and internal control systems and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the Shareholders’ value. The day to day management, administration, operation of the Group and adoption of the Company’s strategies and policies are delegated to the Management. The clear responsibilities division between the Board and the Management ensured the power and authority are balanced and not concentrated in any one individual.

CORPORATE GOVERNANCE REPORT

Board Meetings

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 8 meetings during the Year. Individual attendance records of each Director at the respective Board and committee meetings are set out in the table on page 33 of this report.

During the Year, 2 regular and 6 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. Moreover, the Board will ensure the resolutions will be dealt with by a physical Board meeting rather than written resolutions and the Board will also ensure that an adequate number of Independent Non-executive Directors are involved in the consideration of the relevant resolutions. Independent Non-executive Directors are encouraged to take an active role in Board meetings.

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

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

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. The Directors are encouraged to participate in Continuous Professional Developments to develop and refresh their knowledge and skills periodically.

CORPORATE GOVERNANCE REPORT

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	✓	✓
Non-executive Directors		
Mr. Wang Hongjie	✓	✓
Mr. Cheng Gang (<i>Re-designated as Non-executive Director and resigned as Deputy Chief Executive Officer on 1 September 2016</i>)	✓	✓
Independent Non-executive Directors		
Mr. Chan Koon Yung	✓	✓
Mr. Lai Chun Yu	✓	✓
Mr. Li Xigang	✓	✓
Mr. Lum Pak Sum (<i>Appointed on 15 May 2017</i>)	✓	✓

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the Year, 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.

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.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Executive Directors

Mr. Shi Hua has entered into a service contract with the Company for a period of one year from 20 June 2011 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.

Mr. Law Fei Shing has entered into a service contract with the Company for a period of one year from 10 June 2009 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 has entered into a service contract with the Company for a period of one year from 23 January 2014 and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

Mr. Cheng Gang has entered into a service contract with the Company for a period of one year from 1 September 2016 and will continue thereafter unless and until terminated by either party by not less than three months' prior notice.

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

CORPORATE GOVERNANCE REPORT

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.

Mr. Lum Pak Sum has entered into a service contract with the Company for a period of one year from 15 May 2017 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.

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 and maintain high level of corporate governance standard of the Company. 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 four Independent Non-executive Directors and is chaired by Mr. Chan Koon Yung. The other members are Mr. Lai Chun Yu, Mr. Li Xigang and Mr. Lum Pak Sum.

CORPORATE GOVERNANCE REPORT

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 oversee the internal control and risk management systems of the Company 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 4 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 2016; 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, internal control and risk management systems. Individual attendance records of each member of the Audit Committee are set out in the table on page 33 of this report.

The Group's financial statements and annual results announcement for the Year were reviewed by the Audit Committee on 21 June 2017.

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 four Independent Non-executive Directors and is chaired by Mr. Chan Koon Yung. The other members are Mr. Lai Chun Yu, Mr. Li Xigang and Mr. Lum Pak Sum.

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, to review performance based remuneration and to ensure none of the Directors determine their own remuneration 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.

CORPORATE GOVERNANCE REPORT

During the Year, the Remuneration Committee held 2 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 and approved the terms of Director's services contracts. Individual attendance records of each member of the Remuneration Committee are set out in the table on page 33 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 four 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, Mr. Li Xigang and Mr. Lum Pak Sum, 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.

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 2 meetings during the Year. Individual attendance records of each member of the Nomination Committee are set out in the table on page 33 this report.

CORPORATE GOVERNANCE 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 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	8/8	N/A	2/2	N/A	1/1
Mr. Shi Jun	8/8	N/A	N/A	N/A	1/1
Mr. Law Fei Shing	8/8	N/A	N/A	N/A	1/1
Ms. Shen Mingzhen	8/8	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Wang Hongjie	8/8	N/A	N/A	N/A	1/1
Mr. Cheng Gang (<i>Re-designated as Non-executive Director and resigned as Deputy Chief Executive Officer on 1 September 2016</i>)	8/8	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Chan Koon Yung	8/8	4/4	2/2	2/2	1/1
Mr. Lai Chun Yu	8/8	4/4	2/2	2/2	1/1
Mr. Li Xigang	7/8	4/4	2/2	2/2	1/1
Mr. Lum Pak Sum (<i>Appointed on 15 May 2017</i>)	N/A	N/A	N/A	N/A	N/A

CORPORATE GOVERNANCE FUNCTION

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

AUDITOR AND THEIR REMUNERATION

The audit fee incurred for the Group for the Year was approximately HK\$1,200,000. 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.

CORPORATE GOVERNANCE REPORT

AUDITOR'S STATEMENT

The auditor of the Group is Ernst & Young, Certified Public Accountants (the "Auditor"). The statement of the Auditor about their reporting responsibilities on the Company's financial statements for the Year is set out in the section "Independent Auditor's Report" of this report.

FINANCIAL REPORTING

During the Year, the Management has provided explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval. The Management also provided all members of the Board with monthly financial updates and will continue to provide with them relevant information giving a balanced and understandable assessment of the Group's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 March 2017, the Board, through the Audit Committee, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

The Directors have received the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs,

For the year ended 31 March 2017, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

Risk Areas	Principal Risks
Strategic risks	: Changes in funeral culture and technology
Operational risks	: No significant risk identified
Financial risk	: No significant risk identified
Compliance risk	: No significant risk identified

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2017, the Group appointed Baker Tilly Hong Kong Risk Assurance Limited (“Baker Tilly”) to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group’s risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Baker Tilly to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of Baker Tilly as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

Enterprise Risk Management Framework

The Group established its enterprise risk management framework in the year. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. The Group’s risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

Risk Control Mechanism

The Group adopts a “three lines of defence” corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and independent internal audit outsourced to and conducted by Baker Tilly. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management’s action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The Group’s risk management activities are performed by management on an ongoing process. The Company has adopted risk management policy and procedures (the “Risk Management Policy”), the effectiveness of the Group’s risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

CORPORATE GOVERNANCE REPORT

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually to further enhance the Group's internal control and risk management systems as appropriate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the Securities and Futures Ordinance ("SFO"). The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

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.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

METHODOLOGY

Anxian Yuan China Holdings Limited (hereinafter referred to as “Anxian Yuan”) strives to enhance the transparency of the Group in respect of its influence on the environment and society. The mission and values of the Group regard advocating green funeral services and the Group is striving to become a dominant operator which can lead the funeral industry in China. Cemeteries of Anxian Yuan spread across Hangzhou, Zunyi and Yin Chuan and cover eastern and southern China and areas with prosperous economy and apparent trend of aging population, which form a large-scale strategic layout. In addition to burial services, Anxian Yuan also provides funeral services in Hangzhou. The Group will concurrently develop its funeral and burial services in the future.



Hangzhou



Zunyi



Yin Chuan

While steering towards sustainability, the Group takes into account numerous short-term and long-term factors, including business challenges, responsibilities to stakeholders, professional ethics, global trends, laws and regulations and risk management. We constantly seek for business opportunities which are beneficial to suppliers, customers and the social environment.

The daily operation of Anxian Yuan is affected by its stakeholders. Through stakeholders, the Group is able to understand the expectations of the stakeholders and society on the Group and achieve those expectations through sustainable development. The major stakeholders of the Anxian Yuan include the Group’s customers, investors, shareholders, employees, suppliers, non-governmental organizations and local communities, which have considerable influence on the daily operation of the Group.

The management of Anxian Yuan is carried out on the basis of sustainable development. The Report emphasizes on achieving a balance between business development, needs of society and environmental relations. Along with nowadays rapid global development, the Group constantly identifies risks and opportunities in its daily operation to satisfy the expectations and needs of all stakeholders. In addition, the Group has a corporate culture of high transparency which steers to maintain good communications with its employees, consumers and other stakeholders.

Last but not least, in order to facilitate sustainable development, the Group has established a top-down management approach which has spread across each level of the Group and the effect of which has influenced communities outside the Group. The Group will maintain communications with all stakeholders concerning all environmental and social issues and solutions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group implements the following sustainable development strategies with a top-down approach:

1. Achievement of environmental sustainability
2. Respect for human rights and social culture
3. Continuous communication with stakeholders
4. Support to employees
5. Preservation of local community development

ABOUT THIS REPORT

This is the first Environmental, Social and Governance Report (the “Report”) published by the Group. The content herein focuses on summarizing the environmental, social and governance performance of our main businesses in mainland China and Hong Kong during 1 April 2016 to 31 March 2017. Through the Report, we have carried out thorough review and assessment on our performance in order to achieve a better outcome. The reporting period herein conforms to our financial year.

The Group will continue to attach importance to the most significant issue of stakeholders and focus on the largest cemetery in Hangzhou. The Report also demonstrates the contribution to sustainable development made by Anxian Yuan as a regional leading operator of the funeral industry.

Scope of the Report

The Report is prepared in accordance with “Appendix 27 Environmental, Social and Governance Report Guidelines of the Main Board Listing Rules on The Stock Exchange of Hong Kong Limited”. Although the business of the Group covers several cities in China, the Report mainly focuses on the Group’s business in Hangzhou, China. We plan to expand the disclosures of the Group to its nationwide business in the future.

We adequately understand that the environmental, social and governance policies of the Group has a long-term influence on our future development and business and also affects our future community and environment. Other than focusing on the organizational values, policies and core competitiveness which aim to facilitate our sustainable development, Anxian Yuan also takes into account necessary continuous communications with stakeholders that enable the Group to identify potential sustainable development issues.

The Report discloses the following matters which have or may have significant impacts on the environment, society and governance:

- The impact of the Group on the current and future environment or society;
- Information of the Group in respect of the environment and society; and/or
- Evaluation, decision and action of stakeholders.

The Report was approved by the Board on 21 June 2017.



Hangzhou

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Feedbacks and opinions

For the details on our financial performance and corporate governance, please refer to our website (www.anxianyuanchina.com) and our annual report. We also value your feedback and opinion on our performance of sustainable development. Please email your feedbacks and other sustainable development information to our Anxian Yuan China Public Relations Development.

INFORMATION OF STAKEHOLDERS

Anxian Yuan actively seeks all opportunities to understand and attract stakeholders in order to ensure the improvement on our products and services. We believe that our stakeholders are critical for maintaining our success in business.

Stakeholders	Possible matters involved	Communication and response
Hong Kong Stock Exchange	Compliance with the Listing Rules and timely and accurate publication of announcements	Conference, training, seminar, program, website update and announcement
The government	Compliance with laws and regulations, attention to social welfare and prevention of tax evasion	Interview, governmental inspection and information including tax form
Suppliers	Payment schedule and stable demand	On-site interview
Investors	Corporate governance and system, operation strategy, results and investment returns	Organization of and participation in seminar, interview, general meeting, financial report or business report of investor, media and analyst
Media	Corporate governance, environmental protection and human rights	Notice/message published on the Company's website
Customers	Product/service quality, reasonable price, service value, labor protection and work safety	On-site inspection and after-sales service
Employees	Rights and interests, staff remuneration, training and development, working hour and working environment	Holding of labor union activity, training and employee interview, distribution of staff manual and internal memorandum, and operation of opinion box
Community	Community environment, employment and community development and social welfare	Development of community activity and staff voluntary activity, social welfare subsidy and donation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT

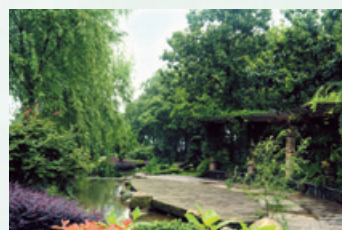
Summary

The Group understands that there are apparently increasing concerns by the public over environmental and health issues due to economic development and social advancement nowadays. As the business of the Group is closely related to the environment, the Group attaches considerable importance to its influence on the environment and society. In addition to strict compliance with environmental laws and regulations such as Environmental Protection Law, we have also built an internal corporate culture to safeguard the interests of all stakeholders. The impacts on the society and environment have been taken into account in management's decision making and the Group's daily operation in order to conserve natural resources and protect the environment.



Hangzhou

In recent years, people are paying more attention to environmental protection and are willing to let their bodies return to the nature when their lives end in order to reduce consumption of funeral and burial resources, including simplifying ways of funerals and graveside rituals. The Group is actively promoting the concept of green funerals and updating the "Green Policy" to ensure the enterprise can achieve a balance between sustainable development and environmental protection.



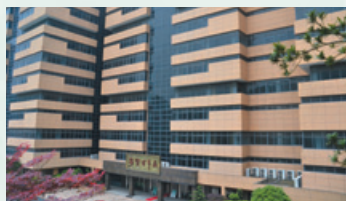
Hangzhou

Emission

Gas emissions

The Report is made in accordance with the Reporting Guidance on Environmental KPIs of the Hong Kong Stock Exchange focusing on direct emissions (Scope 1) and indirect emissions (Scope 2), where other indirect emissions (Scope 3) is excluded in the Report.

The Group's gas emissions are mainly derived from vehicles and cremators.



Hangzhou

With regard to vehicles, the Group provides several shuttle busses for grave sweepers. In addition, the Group also possesses several private cars and trucks which are mainly used for pickup and transportation for the Group. In selection of vehicle fleets, the Group takes into account factors such as cost efficiency, fuel efficiency, maintenance costs and satisfaction of its needs in order to reduce the impact on the environment.

The funeral parlor of the Group located in Zunyi Dashenshan provides cremation services for customers. Hazardous gases are generated during the cremation process, including dioxin, sulfur dioxide, carbon dioxide, hydrogen sulfide and methane. In order to minimize the impact of the aforementioned gas emission on the environment, the Group keeps a stringent supervision and control over the quantity of emission of the aforementioned gases in an endeavor to comply with the requirements of the national standards under the Emission Standard of Air Pollutants for Crematory (GB13801-2015) of the People's Republic of China.

The indirect gas emissions of the Group are mainly derived from the use of purchased electricity as the power generation process of power companies causes greenhouse gas emission. As such, the Group advocates its employees to conserve energy and reduce power consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Furthermore, the Group makes a greening plan every year which mainly prepares the greening and planting programs for the next year. Furthermore, the Group also organizes tree planting activities every year in the cemeteries and invites customers of Anxian Yuan, primary school students and their parents and other citizens to join. In addition to planting new trees to increase the green area of the cemeteries, the Group hopes to arouse the awareness of ecological and environmental protection and enthusiasm for getting close to nature while reducing the emission of greenhouse gas.

Solid Emissions

Other emissions of the Group in the course of business also include sewage and solid waste.

Sewage is classified into household sewage and industrial sewage. Household sewage of the Group is mainly derived from the cemeteries and offices. In order to strengthen environmental protection, water purification equipment is installed in cemeteries, through which all household sewage is purified and recycled for the irrigation of plants in the cemeteries. As for industrial sewage, no industrial sewage is produced in the course of the Group's business.



Hangzhou

Solid waste mainly includes food waste and general waste in offices. Due to the special nature of the Group's business, solid waste generated in the course of business is rather inconsiderable. Not only is the food waste produced in cemeteries limited, but certain amount of the food waste is also recycled into fertilizer. Regarding to office supplies, the Group advocates conservation and environmental protection and recycles the

recyclable materials to the extent possible. The Group urges its employees to use emails and electronic files instead of printed copies and advocates duplex printing and the use of pen refills in order to reduce waste.



Hangzhou



Yin Chuan

The Group advocates green funeral services and appeals grave sweepers to burn less incense and offerings to the extent possible. However, as traditional mindset still prevails in China, some people still choose to burn incense and offerings during graveside rituals. Hence, the Group has set up incense areas and required grave sweepers to burn incense and offerings at specified areas. Incense ash is collected and used for green planting in order to reduce pollution to the environment.

In order to reduce the impact on the environment, cemeteries workers provide grave sweepers with flowers in replacement of traditional incense on traditional grave sweeping festivals to promote the concept of green funeral. In addition, the Group set up a public account “彼岸天堂” (in English, for identification purpose only, “Paratown”) on WeChat a few years ago which is used as a We Media platform for spreading the filial piety culture. It also organized the “Scanning QR Code for Flowers” activity at Zhejiang Anxian Yuan – flower giveaway to all Hangzhou citizens and propagandized civilized graveside rituals.

Use of Resources

The Group mainly uses electricity and water.

Electricity is mainly used in the daily operation of the headquarters and cemetery offices of the Group to sustain the operation of air-conditioning, lighting system, computers and other office equipment. In order to use resources effectively, the Group requires employees to turn off electrical appliances when not in use, including during lunch hour and after work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As for the consumption of water resources, the water consuming parties of the Group are offices and cemeteries. In order to conserve water resources, the Group requires office workers to save water. As all cemeteries are equipped with water purification equipment, all household sewage is recycled upon filtration through purification equipment for irrigating plants in the cemeteries. In addition, the cemeteries also use rainwater for irrigation. For example, Hangzhou Anxian Yuan has an artificial lake for collection of natural rainwater and irrigates the plants in the cemeteries with the lake water extracted from the automatic irrigation system.

Environment and Natural Resources

As a member of China Funeral Association, Anxian Yuan was accredited, for several times, as an advanced enterprise for municipal funeral service, standard municipal cemetery, municipal green model enterprise, regional civilized enterprise and regional model cemetery by its own effort under the guidance and support from provincial and municipal government. In 2006, the Group passed the “Three in One” (quality, environment, and health and safety) international standard certification and in 2009, the Group was accredited by Zhejiang Provincial Archives as an outstanding enterprise. The Group is currently striving to be a “civilized enterprise in Zhejiang Province”.



Hangzhou

Taking into account the use of electricity resources in the course of business, the solid waste generated and the greenhouse gas indirectly produced, the Group strives to enhance the greening rate of all cemeteries and reduce emission of greenhouse gas by increasing the coverage of green plantation in order to relieve global warming. The Group is currently operating three main cemeteries, namely Hangzhou Anxian Yuan, Yin Chuan Fu Shou Yuan and Zunyi Dashenshan, the greening rates of which are 65%, 56% and 78% respectively. The Group endeavors to raise the greening rate of all cemeteries and plans to make every cemetery a green eco-park.

Furthermore, taking into account the air pollution caused by the incense and offerings burnt by grave sweepers during the graveside rituals, the Group provides grave sweepers with flowers to advocate civilized graveside rituals.



Hangzhou

Yin Chuan

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Zunyi

SOCIETY

With the aging of the population intensified and urbanization accelerated in China, the funeral industry in China will sustain a prolonged rapid development in the future as funeral service concerns thousands of households. The Group has always been making significant contributions and implementing diversified management in respect of society, including organizing elderly care activities, providing employees with a safe and healthy working environment, offering employees with relevant trainings and jointly establishing a cooperative and friendly working environment with employees.

Employment

The Group has organized training classes on the operation management of the Group and consummated the Group's personnel structure in order to further optimize the development and management of the funeral industry in China and has systematized it to make it a cradle for cultivation of the Group's operational and management talents, so as to fundamentally solve the problem of talent insufficiency amid rapid expansion of the Group and promote the sustainable development of the Group's business.

In accordance with the relevant laws and regulations including Employment Ordinance, the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, the Group has formulated staff manual which covers recruitment, remuneration, promotion, dismissal, working hour, holiday, equal opportunity, diversification, anti-discrimination and other treatments and benefits. Meanwhile, the Group also undertakes that the recruitment and promotion processes are not affected by race, ethnicity, nationality, religion, gender, age and disability, and offers all employees with equal opportunities.

The Group has strictly complied with the laws and regulations related to employment and labor which have significant impact on the Group.

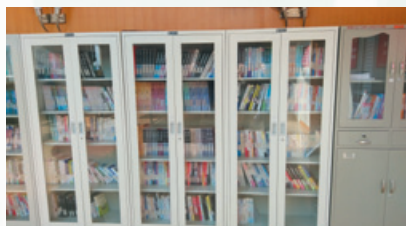
HEALTH AND SAFETY

In order to provide employees with a safe working environment and protect employees from occupational hazards, the Group has provided employees with adequate health and safety measures and trainings and purchased sufficient social insurances for all employees. The Group also strictly complies with the safety regulations in all regions, including the Occupational Safety and Health Ordinance and Regulation on Work-Related Injury Insurances.

Save for the aforementioned measures, the Group has purchased group safety insurances for employees of engineering departments to enhance the protection of employees when accidents occur. In addition, other than purchasing social insurances for employees by the Group, Hangzhou Anxian Yuan also purchases commercial accident insurances to safeguard employees' interests. Employees are generally not required to perform overhead work. Whenever working in mountainous areas is necessary, employees are required by the Group to take precautions against accidents. Furthermore, the Group purchases safety equipment necessary for work for the employees to ensure employees' safety.

During the reporting year, no material accident involving work-related injury occurred in the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Development and Training

As talent cultivation is critical to the future development of the Group, the Group spares no effort on talent development and training. In order to strengthen the knowledge and skills of the employees necessary for the performance of duties, the Group conducts a survey of its employees every December concerning their feedback regarding the content of the trainings, the results of which reflect employees' concerned topics relating to the training and allow the Group to organize suitable training courses based on the needs of the corporate

development. The Group also provides trainings based on the types of occupation in the funeral industry specified by the Ministry of Civil Affairs and Ministry of Human Resources and Social Security in order to ensure relevant employees obtains qualified licenses.

The current trainings of the Group focus on fields such as corporate governance and funeral knowledge. In addition to the said trainings, the Group also provides orientation training for new recruits and organizes a fire safety seminar or fire drill every month. The Group organizes reader sharing sessions which encourages employees to read in leisure time and allows them to share and communicate with other colleagues.



Hangzhou

Labor Standards

To avoid child labor and forced labor, the Group has stringent requirements on the selection of employees. When recruiting employees below the management level, the Group performs background check on applicants and requires them to provide identity card, proof of highest education, professional qualifications (such as driver license and engineer license) and certificate of resignation. Foreign applicants are required to present their work permit to verify their identity.

In the event that the management discovered child labor or forced labor against the regulations, the Company would immediately terminate relevant contracts and impose appropriate punishment on the employee ascertained to be responsible for the illegal employment. During the reporting year, there was no child labor and forced labor in the Group.

Supply Chain Management

The Group has stringent requirements on the selection of suppliers.

The Group only selects suppliers which satisfy the following requirements: 1) having industry and commercial and tax registration certificate; 2) having good integrity filing records; 3) complying with national laws and regulations in the course of operation; 4) having certain operation scale and considerable reputation in the industry; 5) being up to standards for the services and products provided; 6) having sound after-sales warranty and emergency management.

Product Responsibility

The Group has completed the trademark registration for its brand "Anxian Yuan" and the brand is thereby under legal protection of intellectual property rights. The prices of the Group's products and services are open to public and prominently displayed at its office. The Group has also established a feedback and complaint mechanism. Customers who intend to provide feedback or file complaints can fill in the customer's feedback form and complaint form at the customer reception center. When the customer reception center receives feedback or complaint from customers, it will contact relevant departments and handle the feedback and complaint in a timely manner.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The services and products provided by the Group are subject to a quality inspection process. For services, the Group provides employees with sufficient trainings and build up service standard through examinations and inspections. As for products, cemeteries are all constructed based on design requirements and are opened to customers only after passing the inspections performed by the engineering team in order to ensure product quality.

To safeguard consumers' information and privacy, the Group stores all clients' information in its archives and establishes a customer file for every customer. Should any departments need to check the customer files, they are required to register in the file book and no original copy of any information shall be taken away from the archive. During the reporting year, the Group did not receive any complaints in relation to leakage of clients' information.

Anti-corruption

The Group adopts zero-tolerant policy against corruption. We have formulated anti-corruption policies to prevent potential bribery, blackmail, fraud, money laundry and gambling, and encourage employees to give opinions and report to their superiors and the chief executive officer or express their views directly through emails. The Group also guarantees that the information in relation to the opinions and reports submitted by all employees is kept confidential.

In addition, the Group also annually assesses employees' working competence and psychological quality and has established a penalty and reward system to enhance employees' sense of belonging to the Company and reduce the possibility of crimes committed by employees.

During the reporting year, the Group was not involved in any legal proceedings in relation to corruption.

Community Investment

The strategy department of the Group is responsible for preparing activity plans for the next year. Currently, most activities organized by the Group are in collaboration with other organizations.

The activities organized by the Group are mainly classified into two categories: the first category is memorials for celebrities or public figures which allows the public to have in-depth knowledge of those persons who made significant contributions to the country and society; while the second category is caring activities which target elderlies, the underprivileged minorities and families in distress. Those activities aim to care for elderlies, the underprivileged minorities and people in distress through psychological and mental care and to provide help in satisfying their basic needs through material donations.

Activities organized by the Group during the reporting period include:



Commemoration Activity for the Victory of China in the War of Resistance Against Japan

To commemorate the sacrifice and contribution made by the heroes during the war of resistance, the Group has constructed in Zhejiang Anxian Yuan the first memorial park for the war of resistance in Zhejiang, where thousands of warriors throughout the country are currently reposed with erection of tombstones. Homage is paid to every heroic spirit through our salutation to war soldiers and flower dedication to retired soldiers by primary school student representatives. A noble collective burial commemorative ceremony for the sacrificed war heroes was performed in this activity to rest every warriors' soul and imprint their glorious names forever in the memorial park.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



2016 Parent-Child Tree Planting Activity “Hopes Take Off”

To spread the filial piety culture, the Group has set up a public account “彼岸天堂” (in English, for identification purposes only, “Paratown”) on WeChat that enables the Group to promote its activities to every family in an easier way. Take 2016 Parent-Child Tree Planting Activity “Hopes Take Off” as an example, by registering on the “Little Trees on the Other Shore”, users can literally adopt a tree through the O2O model and give blessings to their families through daily irrigation and pest control for the trees. In addition, parents can take their children to the parks and plant a tree by themselves, which gives a more significant meaning to the tree planting festival through the O2O model. Through integration of the tree planting activity “Little Trees on the Other Shore” with ecological construction in cemeteries, the Group nurtures family love and filial piety culture of the next generation, fosters a proper value of life, as well as arouses the senses of ecological and environmental protection and embracing the nature.

Yellow River Funeral Ceremony on Qingming Festival

The Group actively responds to the government’s appeal and vigorously promotes ecological burial which occupies little or no space. Since the erection of the Yellow River Monument in 2014, more than 500 deceased persons in Yellow River Funeral have their names carved on the monument, which provided a place for the families of the deceased to make offerings, farewell the departed spirits and anchor their thoughts. Furthermore, under the guidance of Yin Chuan municipal government, the Group organizes collective burial and public memorial events every year alongside the Yellow River. It makes the public welfare projects a material foundation for the demonstration and spreads advanced funeral culture to inherit the thousands of years of the Chinese culture of returning to the roots.

Zhejiang Public Welfare Activity “Care for Retired Soldiers with Your Gratitude”

Hangzhou Anxian Yuan funded and organized the Zhejiang Public Welfare Activity “Care for the Retired Soldiers with Your Gratitude” and the “Salutation to the Heroes in the War of Resistance” activity and expressed new-year blessings to the retired soldiers with presents.



Memorial Photo Exhibition for the 140th Birthday of Dr. John Leighton Stuart

Dr. John Leighton Stuart established Hangchow Presbyterian College and made substantial contributions to the establishment and development of Wuhan University, Nanjing Women’s University and Fudan University in Shanghai. Dr. John Leighton Stuart founded Yenching University in 1919 and served as the first headmaster. He was even incarcerated by the Japanese army for as long as four years due to his aid to students who were against Japan. Dr. John Leighton Stuart, a pioneer of modern education in China, was a pacifist and was compassionate to the Chinese people. As 2016 is the 140th birthday of Dr. John Leighton Stuart, the Group organized the photo exhibition to commemorate this American who made painstaking efforts to the education in China and dedicated his life to the rapport between China and America.

The Group hopes the organization of the photo exhibition of Dr. John Leighton Stuart would enable teenagers in the next generation to know about his life achievement and learn from his selfless contribution and spirit of fraternity.

In addition to the aforementioned activities, the Group has also organized other activities during the reporting period, such as burial and public funeral for the renowned generals in the war of resistance, groundbreaking ceremony for the innovative ecological art park, Children’s Day (1 June), the 9th Senior Cadre “Anxian Cup” Fishing Competition in Hangzhou, “Liu Shui Qiu Yun” — the first Anxian Poem Convention at Chong Yang Festival, and the memorial activities for the Martyrs’ Day and the 67th anniversary of the founding of China.

INDEPENDENT AUDITOR'S 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)**

OPINION

We have audited the consolidated financial statements of Anxian Yuan China Holdings Limited (the “Company”) and its subsidiaries set out on pages 53 to 134, which comprise the consolidated statement of financial position as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of goodwill

As at 31 March 2017, the goodwill of the Group amounted to HK\$12,589,000. In accordance with HKFRSs, the Group is required to perform impairment test of goodwill at least on an annual basis. The impairment test was based on the recoverable amount of the cash-generating unit ("CGU"). Management performed the impairment test using the value-in-use calculation based on the discounted cash flows. This matter was significant to our audit because the impairment test process was complex and involved significant judgements. In addition, management's assessment process was complex and highly judgmental and was based on assumptions, including revenue growth, gross profit margins and discount rates, which were affected by expected future market or economic conditions.

The Group's disclosures about impairment of goodwill are included in note 16 to the consolidated financial statements, which explains the key assumptions management used for the value-in-use calculation.

We evaluated management's future cash flow forecasts and the process by which they were determined and approved, including checking whether the forecasts were consistent with business operation and development, and confirming the mathematical accuracy of the underlying calculations. We assessed supporting evidence regarding the carrying value of goodwill, and the related disclosures, through challenging key assumptions for growth rates in the cash flow forecasts by comparing them to historical results, and economic forecasts; and the discount rates by independently estimating a range based on market data. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Derivative financial instrument valuations

The Group issued a convertible bond of HK\$50,000,000 on 17 November 2015. The conversion option of the convertible bond exhibited characteristics of an embedded derivative liability. It was separated from its host debt at the amount of HK\$17,300,000 at initial recognition. Such embedded derivative liability was subsequently measured at the fair value of HK\$1,000,000 as at 31 March 2017. The valuation of embedded derivative liability was determined through the application of valuation techniques which involved the exercise of significant judgement and the use of assumptions and estimates by management.

The Group's disclosures about derivative financial instrument of convertible bonds are included in note 30 to the consolidated financial statements.

In evaluating the valuation of embedded derivative liability, we assessed controls over the identification, measurement and management of derivative financial instruments and assessed the methodologies, inputs and assumptions used by the Group in determining the fair value. We also compared observable inputs used in valuation models such as quoted prices to externally available market data. We evaluated the competency and objectivity of the external appraiser engaged by the Group and involved our internal valuation experts in reviewing the methodologies, key inputs and assumptions.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young

Certified Public Accountants

Hong Kong
21 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
REVENUE	5	161,584	108,044
Cost of sales		(41,290)	(26,255)
Gross profit		120,294	81,789
Other income and gains	5	9,495	8,291
Selling and distribution expenses		(18,424)	(14,069)
Administrative expenses		(70,001)	(57,058)
Finance costs	7	(28,649)	(8,119)
Share of profits and losses of an associate		(8)	422
PROFIT BEFORE TAX	6	12,707	11,256
Income tax expense	10	(6,895)	(1,452)
PROFIT FOR THE YEAR		5,812	9,804
Attributable to:			
Owners of the parent		6,240	9,465
Non-controlling interests		(428)	339
		5,812	9,804
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (HK cents)			
– For profit for the year	12	0.09	0.14
Diluted (HK cents)			
– For profit for the year	12	0.09	0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2017

	2017 HK\$'000	2016 HK\$'000
PROFIT FOR THE YEAR	5,812	9,804
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(41,824)	(27,862)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(41,824)	(27,862)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(36,012)	(18,058)
Attributable to:		
Owners of the parent	(32,516)	(17,815)
Non-controlling interests	(3,496)	(243)
	(36,012)	(18,058)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	<i>Notes</i>	31 March 2017 HK\$'000	31 March 2016 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	98,641	109,445
Investment properties	14	512	857
Intangible assets	15	441,439	473,089
Goodwill	16	12,589	13,340
Investment in an associate	17	4,281	4,560
Available-for-sale investments	18	2,253	2,400
Prepayments	23	–	42,004
Cemetery assets	19	229,857	218,474
Total non-current assets		789,572	864,169
CURRENT ASSETS			
Inventories	21	182,578	168,947
Trade receivables	22	2,451	1,034
Prepayments, deposits and other receivables	23	70,335	45,668
Pledged deposits	24	–	31,080
Cash and cash equivalents	24	110,140	109,911
Total current assets		365,504	356,640
CURRENT LIABILITIES			
Trade payables	25	47,980	60,386
Other payables and accruals	26	44,021	67,469
Deferred income	27	2,974	3,017
Interest-bearing bank and other borrowings	28	165,476	59,106
Amount due to non-controlling shareholders	29	7,836	49,123
Liability component of convertible bonds	30	48,477	–
Derivative component of convertible bonds	30	1,000	9,700
Tax payable		12,913	19,885
Total current liabilities		330,677	268,686
NET CURRENT ASSETS		34,827	87,954
TOTAL ASSETS LESS CURRENT LIABILITIES		824,399	952,123

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	<i>Notes</i>	31 March 2017 HK\$'000	31 March 2016 HK\$'000
NON-CURRENT LIABILITIES			
Liability component of convertible bonds	<i>30</i>	–	34,000
Interest-bearing bank and other borrowings	<i>28</i>	141,497	156,971
Deferred income	<i>27</i>	12,838	13,819
Amount due to non-controlling shareholders	<i>29</i>	–	38,141
Deferred tax liabilities	<i>20</i>	115,789	118,905
Total non-current liabilities		270,124	361,836
Net assets		554,275	590,287
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>32</i>	543,445	543,445
Reserves	<i>33</i>	(34,581)	(2,065)
		508,864	541,380
Non-controlling interests		45,411	48,907
Total equity		554,275	590,287

Shi Hua
Director

Law Fei Shing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Attributable to owners of the parent										
	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 2016:	543,445	229,394	24,367	67,073	7,409	3,854	(11,458)	(322,704)	541,380	48,907	590,287
Profit for the year	-	-	-	-	-	-	-	6,240	6,240	(428)	5,812
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(38,756)	-	-	(38,756)	(3,068)	(41,824)
Total comprehensive loss for the year	-	-	-	-	-	(38,756)	-	6,240	(32,516)	(3,496)	(36,012)
Transfer from retained profits	-	-	-	-	2,525	-	-	(2,525)	-	-	-
At 31 March 2017	543,445	229,394	24,367	67,073	9,934	(34,902)	(11,458)	(318,989)	508,864	45,411	554,275

* These reserve accounts comprise the consolidated reserves as at 31 March 2017 and 31 March 2016 in the consolidated statement of financial position.

	Notes	Attributable to owners of the parent										
		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		-	-	-	-	-	-	-	-	-	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		-	-	-	-	-	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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		12,707	11,256
Adjustments for:			
Interest income	5	(148)	(133)
Provision for impairment of other receivables	6	1,014	–
Loss on disposal of subsidiaries		–	90
Share of losses/(profits) of an associate		8	(422)
Gain on disposal of items of property, plant and equipment	5	(11)	–
Gain on bargain purchase arising from business combination	5	–	(558)
Finance costs	7	28,649	8,119
Depreciation on property, plant and equipment	6	9,338	3,348
Depreciation on investment properties	6	299	318
Amortisation of cemetery assets	6	5,730	3,616
Amortisation of intangible assets	6	2,643	2,007
Fair value gain in derivative component of convertible bonds	5	(8,700)	(7,600)
Equity settled share option expense	34	–	11,700
		51,529	31,741
Increase in cemetery assets and inventories		(36,834)	(25,909)
(Increase)/decrease in trade receivables		(1,511)	21,978
Decrease/(increase) in prepayments, deposits and other receivables		7,202	(20,195)
(Decrease)/increase in trade payables		(8,965)	995
Decrease in other payables and accruals and deferred income		(103)	(27,664)
		11,318	(19,054)
Cash generated/(used in) from operations		(24,064)	(8,768)
Interest paid		(9,218)	(8,819)
Tax paid			
		(21,964)	(36,641)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		559	133
Purchases of items of property, plant and equipment		(5,234)	(1,130)
Proceeds from disposal of items of property, plant and equipment		204	–
Payment for non-current prepayments		–	(42,004)
Disposal of subsidiaries		5,869	(21)
Acquisition of subsidiaries		(59,841)	(27,398)
Decrease/(increase) in pledged time deposits		30,000	(12,225)
		(28,443)	(82,645)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Exercise of share options	32	–	4,636
New bank loans		243,855	203,786
Repayment of bank loans		(142,412)	(111,023)
Decrease in amount due to non-controlling shareholders		(41,694)	–
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		59,749	151,483
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		109,911	81,506
Effect of foreign exchange rate changes, net		(9,113)	(3,792)
CASH AND CASH EQUIVALENTS AT END OF YEAR		110,140	109,911
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	110,140	109,911

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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 shares/ paid up share 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 2017

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued and fully paid shares/ paid up share 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\$3,910,454	–	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 2017

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued and fully paid shares/ paid up share 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, Yin Chuan Fu Shou Yuan, Zunyi Dashenshan, and Hangzhou Anxian Yuan Stone are registered under PRC law.

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 2017

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 2017. 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 2017

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

- (a) 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 consolidated statement of financial position and the consolidated statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts²</i>
HKFRS 9	<i>Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>

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

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

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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 upon adoption.

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in associates and joint ventures

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 and joint ventures 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 and joint ventures is included in the consolidated statement of profit or loss and consolidated statement of 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 or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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 or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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 recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current asset/assets of 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

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 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 2017

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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	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 2017

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 2017

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.

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 2017

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 2017

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 2017

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 2017

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 2017

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 amortisation and net realisable value prior to the commencement of development of the cemetery. Amortisation 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 2017

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 an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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 buyers 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 2017

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 2017

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.

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 2017

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 2017

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2017 was HK\$12,589,000 (31 March 2016: HK\$13,340,000). Further details are given in note 16 to the financial statements.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

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. Further details are contained in note 20 to the financial statements.

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

	2017 HK\$'000	2016 HK\$'000
Mainland China	161,584	108,044

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

(b) Non-current assets

	2017 HK\$'000	2016 HK\$'000
Hong Kong	749	415
Mainland China	786,570	861,354
	787,319	861,769

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 2017 (2016: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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:

	2017 HK\$'000	2016 HK\$'000
Revenue		
Sales of tombs and niches	139,174	101,082
Management fee income	2,695	2,482
Burial service	18,898	3,746
Sales of funeral supplies	817	734
	161,584	108,044
Other income and gains		
Gain on disposal of items of property, plant and equipment	11	–
Gain on bargain purchase arising from business combination	–	558
Bank interest income	148	133
Fair value gain of derivative component of convertible bonds (<i>note 30</i>)	8,700	7,600
Others	636	–
	9,495	8,291

NOTES TO FINANCIAL STATEMENTS

31 March 2017

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017 HK\$'000	2016 HK\$'000
Cost of inventories sold	27,659	19,904
Cost of services provided	5,258	728
Employee benefit expense (excluding directors' and chief executives' remuneration (<i>note 8</i>)):		
Wages and salaries	35,796	23,618
Amortisation of intangible assets (<i>note 15</i>) *	2,643	2,007
Amortisation of cemetery assets (<i>note 19</i>) *	5,730	3,616
Auditor's remuneration	1,200	1,296
Depreciation		
– Property, plant and equipment (<i>note 13</i>)	9,338	3,348
– Investment properties (<i>note 14</i>)	299	318
Provision for impairment of other receivables (<i>note 23</i>)	1,014	–
Foreign exchange differences, net	(334)	(82)
Minimum lease payments under operating leases	3,599	2,952

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK\$'000	2016 HK\$'000
Interest on interest-bearing bank borrowings (including convertible bonds)	46,597	14,920
Total interest expense	46,597	14,920
Less: Interest capitalised	(17,948)	(6,801)
	28,649	8,119

NOTES TO FINANCIAL STATEMENTS

31 March 2017

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executives' 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	
	2017 HK\$'000	2016 HK\$'000
Fees	390	390
Other emoluments:		
Salaries, allowances and benefits in kind	5,870	4,910
Performance related bonuses	460	530
Equity-settled share option expense	–	8,600
Pension scheme contributions	71	85
	6,401	14,125
	6,791	14,515

(a) Independent non-executive directors

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

	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Equity-settled share option expense HK\$'000	Total remuneration HK\$'000
2017				
Independent non-executive directors:				
Mr. Chan Koon Yung	120	10	–	130
Mr. Li Xigang	120	10	–	130
Mr. Lai Chun Yu	120	10	–	130
	360	30	–	390
2016				
Independent non-executive directors:				
Mr. Chan Koon Yung	120	10	213	343
Mr. Li Xigang	120	10	213	343
Mr. Lai Chun Yu	120	10	213	343
	360	30	639	1,029

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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

(b) Executive directors and non-executive directors

<i>Note</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
2017					
Executive directors:					
	1,560	130	-	9	1,699
	1,320	110	-	18	1,448
	1,200	100	-	18	1,318
	1,200	100	-	18	1,318
<i>(i)</i>	400	-	-	8	408
	5,680	440	-	71	6,191
Non-executive directors:					
	120	10	-	-	130
<i>(i)</i>	70	10	-	-	80
	190	20	-	-	210
	5,870	460	-	71	6,401
2016					
Executive directors:					
	1,060	130	213	18	1,421
	870	110	1,831	15	2,826
	1,100	100	425	18	1,643
	800	100	1,831	16	2,747
<i>(i)</i>	960	80	1,831	18	2,889
	4,790	520	6,131	85	11,526
Non-executive director:					
	120	10	1,830	-	1,960
	4,910	530	7,961	85	13,486

Note:

(i) Appointed as executive director on 25 March 2015 and appointed as non-executive director on 1 September 2016.

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 2017

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2016: five) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year 2017 of the remaining one (2016: nil) highest paid employee who is neither a director nor chief executive are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances and benefits in kind	841	–
Performance related bonuses	35	–
Pension scheme contributions	18	–
	894	–

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

	Number of employees	
	2017	2016
HK\$1 to HK\$1,000,000	1	–

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% (2016: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

The major components of income tax expense are as follows:

	2017 HK\$'000	2016 HK\$'000
Current tax		
Income tax in the PRC for the year	11,034	9,477
Reversal of overprovision in prior years	(7,861)	(10,289)
Deferred tax (<i>note 20</i>)	3,722	2,264
Total tax charge for the year	6,895	1,452

NOTES TO FINANCIAL STATEMENTS

31 March 2017

10. INCOME TAX (CONTINUED)

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:

	2017 HK\$'000	2016 HK\$'000
Profit before tax	12,707	11,256
Tax at the statutory tax rate of 25%	3,177	2,814
Effect of withholding tax on distributable profit of the Group's PRC subsidiaries	832	1,103
Tax effect of different taxation rates in other tax jurisdictions	3,672	2,626
Income not subject to tax	(1,436)	(1,275)
Expenses not deductible for tax	5,990	3,658
Tax losses utilised from prior years	(848)	(17)
Tax losses not recognised	3,132	2,470
Underprovision in prior years	237	362
Reversal of overprovision in prior years	(7,861)	(10,289)
Total tax charge for the year	6,895	1,452

11. DIVIDEND

There was no proposed final dividend for the year (2016: Nil) which would be subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 6,934,453,000 (2016: 6,873,406,000) 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 the fair value gain on the 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.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 March 2017 in respect of a dilution as the impact of convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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31 March 2017

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

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

	2017 HK\$'000	2016 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	6,240	9,465
Interest on convertible bonds (<i>note 30</i>)	22,100	3,694
Less: Fair value gain on the derivative component of convertible bonds (<i>note 5</i>)	(8,700)	(7,600)
Profit attributable to ordinary equity holders of the parent, before the effect of convertible bonds	19,640*	5,559
	Number of shares 2017 ('000)	Number of shares 2016 ('000)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	6,934,453	6,873,406
Effect of dilution – weighted average number of ordinary shares:		
Share options	2,226	24,399
Convertible bonds	333,890	123,493
	7,270,569*	7,021,298

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the year of HK\$6,240,000 and the weighted average number of ordinary shares of 6,936,679,000 in issue during the year.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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 2016 and 1 April 2016	103,431	5,822	11,493	1,121	121,867
Additions	2,556	914	1,748	16	5,234
Disposals	–	–	(338)	–	(338)
Exchange realignment	(6,354)	(330)	(655)	(38)	(7,377)
At 31 March 2017	99,633	6,406	12,248	1,099	119,386
Accumulated depreciation:					
At 31 March 2016 and 1 April 2016	(5,846)	(1,269)	(4,548)	(759)	(12,422)
Charge for the year	(5,513)	(1,473)	(2,101)	(251)	(9,338)
Disposals	–	–	147	–	147
Exchange realignment	476	69	300	23	868
At 31 March 2017	(10,883)	(2,673)	(6,202)	(987)	(20,745)
Net carrying amount:					
At 31 March 2016	97,585	4,553	6,945	362	109,445
At 31 March 2017	88,750	3,733	6,046	112	98,641

As at 31 March 2017, none of Group's property, plant and equipment was pledged. As at 31 March 2016, certain of the Group's buildings with a net carrying amount of approximately HK\$7,248,000 were pledged to secure general banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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 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	88,365	3,258	2,941	–	94,564
Disposals	–	–	(72)	–	(72)
Disposal of subsidiaries	–	–	(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	–	–	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

NOTES TO FINANCIAL STATEMENTS

31 March 2017

14. INVESTMENT PROPERTIES

	HK\$'000
Cost:	
At 1 April 2015	2,651
Exchange realignment	(131)
	<hr/>
At 31 March 2016 and 1 April 2016	2,520
Exchange realignment	(155)
	<hr/>
At 31 March 2017	2,365
	<hr/>
Accumulated depreciation:	
At 1 April 2015	(1,421)
Charge for the year	(318)
Exchange realignment	76
	<hr/>
At 31 March 2016 and 1 April 2016	(1,663)
Charge for the year	(299)
Exchange realignment	109
	<hr/>
At 31 March 2017	(1,853)
	<hr/>
Net carrying amount:	
At 31 March 2016	857
	<hr/>
At 31 March 2017	512
	<hr/>

As at 31 March 2017, investment properties with a carrying amount of HK\$512,000 (2016: HK\$857,000) represented certain restricted properties situated in Mainland China which are not allowed to be traded in the open market until the PRC government seizes the land on which the investment properties are situated. The estimated compensation payable to the Group will be Renminbi ("RMB") 2,100,000, equivalent to approximately HK\$2,365,000.

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 2017 using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement for:				
Investment properties	–	–	2,365	2,365
				<hr/>

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 2017

15. INTANGIBLE ASSETS

	HK\$'000
Cost:	
At 1 April 2015	406,439
Acquisition of subsidiaries	101,686
Exchange realignment	(19,752)
	<hr/>
At 31 March 2016 and 1 April 2016	488,373
Exchange realignment	(30,002)
	<hr/>
At 31 March 2017	458,371
	<hr/>
Accumulated amortisation:	
At 1 April 2015	(14,007)
Charge for the year	(2,007)
Exchange realignment	730
	<hr/>
At 31 March 2016 and 1 April 2016	(15,284)
Charge for the year	(2,643)
Exchange realignment	995
	<hr/>
At 31 March 2017	(16,932)
	<hr/>
Net carrying amount:	
At 31 March 2016	473,089
	<hr/>
At 31 March 2017	441,439
	<hr/>

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

NOTES TO FINANCIAL STATEMENTS

31 March 2017

16. GOODWILL

	HK\$'000
Cost:	
At 1 April 2015	–
Acquisition of a subsidiary	13,340
At 31 March 2016 and 1 April 2016	13,340
Exchange realignment	(751)
At 31 March 2017	12,589
Accumulated impairment:	
At 31 March 2016 and 2017	–
Net carrying amount:	
At 31 March 2016	13,340
At 31 March 2017	12,589

The carrying amounts of goodwill are as follows:

	2017 HK\$'000	2016 HK\$'000
Yin Chuan Fu Shou Yuan	12,589	13,340
	12,589	13,340

The impairment test was based on the recoverable amount of the cash-generating unit (“CGU”). During the year ended 31 March 2017, the management of the Group determines that there is no impairment of above CGU containing goodwill.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

16. GOODWILL (CONTINUED)

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 pre-tax 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 15%. 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.

17. INVESTMENT IN AN ASSOCIATE

	2017 HK\$'000	2016 HK\$'000
Share of net assets	4,224	4,499
Goodwill on acquisition	57	61
	4,281	4,560

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 2017

17. INVESTMENT IN AN ASSOCIATE (CONTINUED)

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

	2017 HK\$'000	2016 HK\$'000
Current assets	12,069	12,854
Non-current assets	–	–
Current liabilities	–	–
Net assets, excluding goodwill	12,069	12,854
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	4,224	4,499
Goodwill on acquisition	57	61
Carrying amount of the investment	4,281	4,560
Revenues	–	–
(Loss)/profit for the year	(23)	1,205
Total comprehensive (loss)/profit for the year	(23)	1,205

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK\$'000	2016 HK\$'000
Unlisted equity investments, at cost	2,253	2,400

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 2017, the above unlisted equity investments with a carrying amount of HK\$2,253,000 (2016: HK\$2,400,000) 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 2017

19. CEMETERY ASSETS

	Land costs HK\$'000	Landscape facilities HK\$'000	Total HK\$'000
Cost			
At 1 April 2015	–	142,344	142,344
Additions	–	17,488	17,488
Acquisition of subsidiaries	28,687	63,720	92,407
Transfer to inventories	(1,576)	(1,443)	(3,019)
Exchange realignment	153	(6,907)	(6,754)
	<hr/>	<hr/>	<hr/>
At 31 March 2016 and 1 April 2016	27,264	215,202	242,466
Additions	–	34,823	34,823
Transfer to inventories	(399)	(4,281)	(4,680)
Exchange realignment	(1,675)	(13,294)	(14,969)
	<hr/>	<hr/>	<hr/>
At 31 March 2017	25,190	232,450	257,640
Accumulated amortisation:			
At 1 April 2015	–	(21,617)	(21,617)
Provided for the year	(131)	(3,485)	(3,616)
Eliminated on transfer	–	121	121
Exchange realignment	3	1,117	1,120
	<hr/>	<hr/>	<hr/>
At 31 March 2016 and 1 April 2016	(128)	(23,864)	(23,992)
Provided for the year	(500)	(5,230)	(5,730)
Eliminated on transfer	62	279	341
Exchange realignment	19	1,579	1,598
	<hr/>	<hr/>	<hr/>
At 31 March 2017	(547)	(27,236)	(27,783)
Carrying value:			
At 31 March 2016	27,136	191,338	218,474
	<hr/>	<hr/>	<hr/>
At 31 March 2017	24,643	205,214	229,857
	<hr/>	<hr/>	<hr/>

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 2017

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 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	(23,499)	–	–	(23,499)
Exchange differences	4,855	–	–	4,855
At 31 March 2016 and 1 April 2016	(116,681)	(3,461)	(3,980)	(124,122)
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	874	(832)	(3,697)	(3,655)
Exchange differences	7,152	–	–	7,152
At 31 March 2017	(108,655)	(4,293)	(7,677)	(120,625)

Deferred tax assets

	Deferred income and others HK\$'000	Decelerated tax amortisation HK\$'000	Impairment loss on investment properties HK\$'000	Total HK\$'000
At 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	2,012	–	–	2,012
Exchange differences	6	(71)	(30)	(95)
At 31 March 2016 and 1 April 2016	3,491	1,156	570	5,217
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	257	(324)	–	(67)
Exchange differences	(215)	(64)	(35)	(314)
At 31 March 2017	3,533	768	535	4,836

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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:

	2017 HK\$'000	2016 HK\$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	(115,789)	(118,905)

The Group has tax losses arising in Hong Kong of HK\$137,440,000 as at 31 March 2017 (2016: HK\$122,630,000), 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:

	2017 HK\$'000	2016 HK\$'000
Tax losses	142,290	126,301

Deferred tax assets have not been recognised in respect of tax losses amounting to HK\$142,290,000 and HK\$126,301,000 as at 31 March 2017 and 31 March 2016, respectively. The tax losses amounting to HK\$4,850,000 as at 31 March 2017 (2016: HK\$3,671,000) will expire within the next 5 years for offsetting against future taxable profits. The tax losses of HK\$137,440,000 as at 31 March 2017 (31 March 2016: HK\$122,630,000) 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\$42,930,000 (2016: HK\$34,610,000) in aggregate.

NOTES TO FINANCIAL STATEMENTS

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21. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Inventories		
– Tombs	182,578	168,947

As at 31 March 2017, inventories of approximately HK\$151,355,000 (2016: HK\$138,167,000) were expected to be recovered in more than one year.

22. TRADE RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	2,451	1,034

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 aging 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:

	2017 HK\$'000	2016 HK\$'000
60 to 90 days	2,451	1,034

NOTES TO FINANCIAL STATEMENTS

31 March 2017

22. TRADE RECEIVABLES (CONTINUED)

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

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	2,451	1,034
Over 365 days past due	–	–
	2,451	1,034

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

	2017 HK\$'000	2016 HK\$'000
Prepayments	14,610	56,401
Deposits and other receivables	131,206	105,738
	145,816	162,139
Provision for impairment loss	(75,481)	(74,467)
	70,335	87,672
	2017 HK\$'000	2016 HK\$'000
Prepayments:		
Analysed into:		
Current	14,610	14,397
Non-current	–	42,004
	14,610	56,401

NOTES TO FINANCIAL STATEMENTS

31 March 2017

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

As at 31 March 2017, other receivable with a carrying amount of HK\$39,424,000 represented earnest money paid to the shareholders of Jining Yongan Charity Business Co., Ltd. ("Jining Yongan", a company with limited liability established in the PRC) for a proposed acquisition of the entire equity of Jining Yongan (the "Jining Acquisition"), refundable from the shareholders of Jining Yongan as the Jining Acquisition did not proceed. The directors of the Company are of the view that impairment provision is not required as refund of the earnest money is secured by the entire equity of Jining Yongan, among which, 40% of the equity interest was pledged to the Group under registration in local Administration Bureau for Industry and Commerce, and the transfer of 60% of the equity interest to Shanghai Anxian Yuan, a subsidiary of the Group. In the opinion of the directors of the Company, such equity shares were only for guarantee purpose. The latter is for protection of the Group in respect of the collection of the earnest money refundable, and the Group did not participate in any operating or decision making of Jining Yongan. The amount is non-interest-bearing.

Other receivable with a carrying amount of HK\$10,138,000 represented a loan provided to one of the shareholders of Jining Yongan. The loan is interest-free, repayable on demand, and secured by the 60% of the equity interest of Jining Yongan transferred to Shanghai Anxian Yuan as set out above.

Except for the above earnest money and loan, the Group did not hold any collateral in respect of these balances.

Except for those amounts with provision for impairment as set out above, the directors of the Company 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.

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

	2017 HK\$'000	2016 HK\$'000
At 1 April	74,467	74,467
Provided during the year	1,014	–
At 31 March	75,481	74,467

NOTES TO FINANCIAL STATEMENTS

31 March 2017

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Cash and cash equivalents			
Cash and bank balances:		110,140	109,911
Pledged time deposits	<i>(a)</i>	–	31,080
		110,140	140,991

As at 31 March 2017, the total of cash and cash equivalents and pledged time deposits of the Group denominated in Renminbi (“RMB”) amounted to HK\$98,852,000 (2016: HK\$43,569,000). 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.

Note:

- (a) As at 31 March 2017, none of the Group’s deposits were pledged. As at 31 March 2016, the Group’s bank deposits of approximately HK\$30,000,000 were pledged for the Group’s bank borrowings amounting to approximately HK\$26,103,000, and the Group’s deposits of approximately HK\$1,080,000 were paid to a financial institution as pledged deposits for certain bank loans.

25. TRADE PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	47,980	60,386

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

	2017 HK\$'000	2016 HK\$'000
Within 90 days	17,676	16,622
91 to 180 days	1,158	2,176
181 to 365 days	55	38,025
Over 1 year	29,091	3,563
	47,980	60,386

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

NOTES TO FINANCIAL STATEMENTS

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26. OTHER PAYABLES AND ACCRUALS

	2017 HK\$'000	2016 HK\$'000
Accruals	12,899	8,241
Deposits received	28,582	31,348
Other payables	2,540	27,880
	44,021	67,469

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

27. DEFERRED INCOME

	HK\$'000
At 1 April 2015	15,361
Arising from acquisition	2,960
Additions during the year	1,683
Released to profit or loss	(2,482)
Exchange realignment	(686)
At 31 March 2016 and 1 April 2016	16,836
Additions during the year	2,636
Released to profit or loss	(2,682)
Exchange realignment	(978)
At 31 March 2017	15,812

	2017 HK\$'000	2016 HK\$'000
Analysed into:		
Current	2,974	3,017
Non-current	12,838	13,819
	15,812	16,836

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 2017

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

2017			
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans			
– guaranteed (<i>note (a)</i>)	5.66 – 6.00	July 2017 – October 2017	61,952
Current portion of long term bank loans			
– secured (<i>note (b)</i>)	4.90	October 2017	12,852
Other borrowings			
– unsecured	9.24 – 12.00	June 2017 – March 2018	731
Bonds payable			
– secured (<i>note (c)</i>)	7.61 (Semi- annually)	November 2017	89,941
			165,476
Non-current			
Bank loans			
– Secured (<i>note (b)</i>)	4.90	October 2018 – October 2023	141,351
Other borrowings			
– unsecured	9.24	August 2018	146
			141,497
			306,973

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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

	2016		
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans			
– secured (<i>note (d)</i>)	5.50	December 2016	26,103
– guaranteed (<i>note (a)</i>)	5.85 – 6.18	May 2016 – July 2016	33,003
			59,106
Non-current			
Bank loans			
– secured (<i>note (b)</i>)	5.95 – 6.18	May 2017 – November 2019	65,407
Other borrowings			
– unsecured	12.00	June 2017	1,981
Bonds payable			
– secured (<i>note (c)</i>)	7.61 (Semi-annually)	November 2017	89,583
			156,971
			216,077
			2017
			2016
			HK\$'000
			HK\$'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand			74,804
In the second year			12,852
In the third to fifth years, inclusive			128,499
			216,155
Other borrowings repayable:			
Within one year or on demand			90,672
In the second year			146
			90,818
			306,973
			59,106
			26,163
			39,244
			124,513
			–
			91,564
			91,564
			216,077

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

Notes:

- (a) The balances are guaranteed by certain directors of the Company and their family members, and a non-controlling shareholder of a subsidiary.
- (b) As at 31 March 2017, the balances were secured by non-controlling shareholders' shares in subsidiaries and buildings owned by a non-controlling shareholder. The balances are guaranteed by certain directors of the Company and a non-controlling shareholder of a subsidiary.

As at 31 March 2016, the balances were secured by the pledge of certain of the Group's deposits with a financial institution amounting to HK\$1,080,000 (note 24) 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.

- (c) 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-months.

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.

As set out in note 42, on 16 May 2017, the Company and all interest party concerned entered into the deed of termination and release pursuant to which the parties mutually agreed for the early redemption and termination of the guaranteed and secured bonds in full at the redemption price equivalent to an amount of HK\$96,657,000 together with all outstanding and unpaid interest accrued and referral fee.

- (d) As at 31 March 2016, the balances were secured by the pledge of certain of the Group's bank deposits amounting to HK\$30,000,000 (note 24)
- (e) Except for the bonds payable which are denominated in Hong Kong dollars, all borrowings are denominated in RMB.

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29. AMOUNT DUE TO NON-CONTROLLING SHAREHOLDERS

	2017 HK\$'000	2016 HK\$'000
Current	7,836	49,123
Non-current	–	38,141
	7,836	87,264

As at 31 March 2017, the current portion of amount due to non-controlling shareholders of HK\$7,836,000 (2016: HK\$10,719,000) was non-trade in nature, unsecured, interest-free and repayable on demand.

As at 31 March 2016, the current portion of amount due to non-controlling shareholders of HK\$38,404,000 was arising from cash consideration unpaid to non-controlling shareholders. The non-current portion of amount due to non-controlling shareholders was non-trade in nature, unsecured, interest-free and repayable in November 2017. Such amount was recorded at amortised cost based on the market interest rate.

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-months.

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

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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.

As set out in note 42, on 16 May 2017, the Company and all interest parties concerned entered into the deed of termination and release pursuant to which the parties mutually agreed for the early redemption and termination of the guaranteed and secured convertible bonds in full at the redemption price equivalent to an amount of HK\$55,199,000 together with all outstanding and unpaid interest accrued and referral fee.

The convertible bonds recognised on initial recognition are as follows:

	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 2017 and 31 March 2016 are as follows:

	2017 HK\$'000	2016 HK\$'000
Host debt component at 1 April	34,000	–
Newly issued host debts	–	32,531
Interest expense	22,100	3,694
Interest payable	(7,623)	(2,225)
Host debt component at 31 March	48,477	34,000

Interest expenses on the CB are calculated using the effective interest method by applying the effective interest rate of 25.07% semi-annually to the host debt component.

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30. CONVERTIBLE BONDS (CONTINUED)

The movements in the derivative component embedded in the CB for the year ended 31 March 2017 and 31 March 2016 are as follows:

	2017 HK\$'000	2016 HK\$'000
Embedded derivatives component at 1 April	9,700	–
Newly issued	–	17,300
Fair value changes recognised in the statement of profit or loss (<i>note 5</i>)	(8,700)	(7,600)
Embedded derivatives component at 31 March	1,000	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 do not breach the fixed-for-fixed rule in HKAS 32. The fair value of the CN at the date of 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

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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.

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

	2017 HK\$'000	2016 HK\$'000
Issued and fully paid:		
5,434,453,000 (2016: 5,434,453,000) ordinary shares	543,445	543,445

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 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 and 2017	5,434,453	543,445

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32. SHARE CAPITAL (CONTINUED)

Shares (Continued)

Notes:

- (a) 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.
- (b) 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 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.

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

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 57 of the financial statements.

Statutory reserve fund

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

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

In accordance with 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.

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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.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2017

34. SHARE OPTION SCHEME (CONTINUED)

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 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 and 1 April 2016	0.196	436,862
Exercised during the year	-	-
Granted during the year	-	-
At 31 March 2017	0.196	436,862

No shares were exercised during the year. The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2016 was HK\$0.162 per share.

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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:

2017 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		

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		

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

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34. SHARE OPTION SCHEME (CONTINUED)

No share options granted during the year. In the year ended 31 March 2016, the fair value of the share options granted 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). The Group recognised a share option expense of HK\$11,700,000 during the year ended 31 March 2016.

All options outstanding as at 31 March 2017 (2016: All) were exercisable. The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 1.2 years (2016: 2.2 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. 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.

36. OPERATING LEASE COMMITMENTS

As lessee

The Group and the Company lease a number of office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to three years, with 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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	3,531	1,714
In the second to fifth years, inclusive	1,888	410
	5,419	2,124

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37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK\$'000	2016 HK\$'000
Contracted, but not provided for:		
Proposed acquisition of land use rights	9,011	9,601
Project construction	2,110	–
	11,121	9,601

38. 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.

(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.

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39. 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:

2017

Financial assets

	Loans and receivables HK\$'000	Available-for- sale financial assets HK\$'000	Total HK\$'000
Available-for-sale investments	–	2,253	2,253
Trade receivables	2,451	–	2,451
Financial assets included in prepayments, deposits and other receivables	55,725	–	55,725
Cash and cash equivalents	110,140	–	110,140
	168,316	2,253	170,569

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	–	47,980	47,980
Financial liabilities included in other payables and accruals (<i>note 26</i>)	–	15,439	15,439
Interest-bearing bank and other borrowings	–	306,973	306,973
Liability component of convertible bonds	–	48,477	48,477
Derivative component of convertible bonds	1,000	–	1,000
Amount due to non-controlling shareholders	–	7,836	7,836
	1,000	426,705	427,705

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39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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
	<u>173,296</u>	<u>2,400</u>	<u>175,696</u>

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
	<u>9,700</u>	<u>433,848</u>	<u>443,548</u>

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40. 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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Financial liabilities				
Interest-bearing bank and other borrowings	306,973	216,077	306,973	216,183
Liability component of convertible bonds	48,477	34,000	45,300	37,400
Derivative component of convertible bonds	1,000	9,700	1,000	9,700
	356,450	259,777	353,273	263,283

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:

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 2017 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.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2017:

	Valuation technique	Significant unobservable input	Ratio	Sensitivity of fair value to the input
Derivative component of convertible bonds	Binomial model	Volatility	48%	10% increase in volatility would result in increase in fair value by HK\$254,000
		Liquidity spread	23%	5% increase in liquidity spread would result in decrease in fair value by HK\$7,000
		Risky discount rate	18.79%	1% increase in risky discount rate would result in increase in fair value by HK\$21,000

Fair value hierarchy

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

Liabilities for which fair values are disclosed:

As at 31 March 2017

	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	–	306,973	–	306,973
Liability component of convertible bonds	–	–	45,300	45,300
	–	306,973	45,300	352,273

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40. 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 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

41. 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.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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). 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
2017		
RMB	50	(254)
RMB	(50)	254
 2016		
RMB	50	(305)
RMB	(50)	305

NOTES TO FINANCIAL STATEMENTS

31 March 2017

41. 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 2017 and 31 March 2016.

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% (2016: 100%) and 100% (2016: 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 2017

41. 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 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 2017

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

2017

	Within 1 year or on demand HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	47,980	–	47,980
Other payables and accruals	15,439	–	15,439
Interest-bearing bank and other borrowings	181,242	165,765	347,007
Liability component of convertible bonds	55,199	–	55,199
Amount due to non-controlling shareholders	7,836	–	7,836
	307,696	165,765	473,461

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

NOTES TO FINANCIAL STATEMENTS

31 March 2017

41. 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 opportunity 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 2017 and 31 March 2016.

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 2017 was approximately HK\$508,864,000 (2016: HK\$541,380,000), 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:

	2017 HK\$'000	2016 HK\$'000
Interest-bearing bank and other borrowings	306,973	216,077
Liability component of convertible bonds	48,477	34,000
Less: Cash and cash equivalents	(110,140)	(109,911)
Net debt	245,310	140,166
Total equity	554,275	590,287
Gearing ratio (%)	44	24

42. EVENTS AFTER THE REPORTING DATE

On 16 May 2017, the Company and all interest parties concerned entered into the deed of termination and release pursuant to which the parties mutually agreed for the early redemption and termination of the guaranteed and secured convertible bonds and bonds in full at the redemption price equivalent to an aggregate of HK\$151,856,000 together with all outstanding and unpaid interest accrued and referral fee.

There was no other 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 2017

43. 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:

	2017 HK\$'000	2016 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	79	194
Investments in subsidiaries	9	9
Total non-current assets	88	203
CURRENT ASSETS		
Deposits and other receivables	522	1,425
Amounts due from subsidiaries	545,526	495,166
Pledged deposits	–	30,000
Cash and bank balances	9,813	62,058
Total current assets	555,861	588,649
CURRENT LIABILITIES		
Other payables and accruals	10,166	6,432
Interest-bearing bank and other borrowings	89,941	–
Derivative component of convertible bonds	1,000	9,700
Liability component of convertible bonds	48,477	–
Total current liabilities	149,584	16,132
NET CURRENT ASSETS	406,277	572,517
TOTAL ASSETS LESS CURRENT LIABILITIES	406,365	572,720
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	406,365	449,137
EQUITY		
Share capital	543,445	543,445
Reserves	(137,080)	(94,308)
Total equity	406,365	449,137

Shi Hua
Director

Law Fei Shing
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2017

43. 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 2015	225,446	14,145	68,414	(384,253)	(76,248)
Total comprehensive loss 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 and 1 April 2016	229,394	24,367	67,073	(415,142)	(94,308)
Total comprehensive loss for the year	–	–	–	(42,772)	(42,772)
At 31 March 2017	229,394	24,367	67,073	(457,914)	(137,080)

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2017.

GLOSSARY

In this annual report (other than the report and financial statements from pages 48 to 134), the following expressions shall have the following meanings unless the context otherwise requires:

Audit Committee	the audit committee of the Company
Bye-laws	the bye-laws of the Company, as amended from time to time
Chief Executive Officer	the chief executive officer of the Company
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

GLOSSARY

Non-executive Director(s)	the non-executive Director(s)
PRC	the People's Republic of China, which for the purpose of this report exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Remuneration Committee	the remuneration committee of the Company
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 2017
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