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 **2019**

www.anxianyuanchina.com

* For identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director
Mr. Wang Hongjie

Independent Non-executive Directors
Mr. Chan Koon Yung
Mr. Lum Pak Sum
Mr. Yao Hong *(appointed on 26 November 2018)*
Mr. Lai Chun Yu *(retired on 28 August 2018)*

COMPANY SECRETARY

Mr. Law Fei Shing

AUDIT COMMITTEE

Mr. Chan Koon Yung *(Committee Chairman)*
Mr. Lum Pak Sum
Mr. Yao Hong *(appointed on 26 November 2018)*
Mr. Lai Chun Yu *(retired on 28 August 2018)*

REMUNERATION COMMITTEE

Mr. Chan Koon Yung (Committee Chairman)
Mr. Lum Pak Sum
Mr. Yao Hong *(appointed on 26 November 2018)*
Mr. Lai Chun Yu *(retired on 28 August 2018)*

NOMINATION COMMITTEE

Mr. Shi Hua *(Committee Chairman)*
Mr. Chan Koon Yung
Mr. Lum Pak Sum
Mr. Yao Hong *(appointed on 26 November 2018)*
Mr. Lai Chun Yu *(retired on 28 August 2018)*

AUTHORISED REPRESENTATIVES

Mr. Shi Hua
Mr. Law Fei Shing

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central, Hong Kong

PRINCIPAL BANKER

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong
(which will be relocated to
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong,
with effect from 11 July 2019)

SHARE INFORMATION

Stock code: 00922
Board lot: 10,000 shares

WEBSITE

www.anxianyuanchina.com

On behalf of Anxian Yuan China Holdings Limited (the "Company" and together with its subsidiaries, collectively referred to as the "Group"), I hereby present the report of the Group for the financial year 2019.

During the past financial year 2019, leveraged on the advantages of its long-established and stable platform, the Group dug deep into its core businesses and continued to optimise its internal management while proactively and effectively reinforcing its comprehensive development. The core businesses of the Group maintained a sound growth and obtained remarkable annual results.

In the financial year 2019, Zhejiang Anxian Yuan, the flagship project of the Group, maintained a stable growth trend and achieved the annual sales target of in full. The internal management strictly abided by international standards and continued to successfully pass the annual reassessment of the "Three in One" (ISO quality, environment, and occupational health and safety) international standard certification. Meanwhile, Zhejiang Anxian Yuan constantly strengthened the humanistic memorial function of the cemetery. The contributor memorial theme cemetery "Missile, Nuclear Bomb and Satellite" Contributor Memorial Park which was constructed in 2018 symbolised the completion of the transformation of cemetery to "Themed Culturalisation"; tomb products also completed the transformation from traditional to land-saving, artistic and ecological successfully; the construction of the major landscape of the Deceased Memorial Platform (悼亡台) and Yunyi Landscape (雲逸景觀) effectively improved the environment of the cemetery; during the year under review, Zhejiang Anxian Yuan acquired remarkable results in respect of humanistic memorial and land-saving ecology as well as economic benefits and social benefits. Not only did it follow the trend and requirement of national development of funeral and burial industry, but it also laid a more solid foundation for the sustainable development of the cemetery.

Under the management of the Group, the Yin Chuan Fu Shou Yuan has demonstrated its tremendous vitality and market potential. Currently, Yin Chuan Fu Shou Yuan has become a well-known humanistic memorial park in western region and received various industrial honors. For example, it is accredited as a member of Australia and Asia International Funeral Association (澳亞國際殯葬協會), the deputy head of the Cemetery Committee of China Funeral Association (中國殯葬協會公墓工作委員會) and the vice chairman Ningxia Hui Autonomous Region Funeral Association (寧夏會回族自治區殯葬協會), and recognised by the Department of Civil Affairs of Ningxia Hui Autonomous Region as a model enterprise for funeral reformation and a 5-star cemetery in the autonomous region. Under a theme centering humanistic memorial infused with western feature amid the Jiangnan forest scenery highlighting its diversified burial characteristic, the Yin Chuan Fu Shou Yuan has hammered out a cultural brand embodying "Love for Ningxia, Undying Youth (情繫寧夏、不朽青春)" under the theme of "Ningxia Supporters (支寧人)" memorialising those who supported the construction of Ningxia across the country in 1950s and 1960s. The newly established "Police Last Resting Place (警魂苑)" memorial square which is located in the center of the cemetery has become a monument of the police force in Ningxia and a patriotism education base. The "Ecological Burial in Yellow River (黃河生態葬)" has become a dazzling representative of Ningxia funeral. With the meticulous design concept and the overall improvement of the cemetery environment as well as the standardised and humanised management, we have earnestly made a sanctuary of life and a spiritual home for Yin Chuan City integrating humanistic memorial, life education, history and cultural, ecological art and funeral service. As one of the cemeteries in western region with the strongest development, the operational success of Yin Chuan Fu Shou Yuan has provided an excellent model for the business deployment and implementation of the Group in other regions.

CHAIRMAN'S STATEMENT

The Group acquired Zunyi Dashenshan Cemeteries in early 2016. For the past three years, under the systematic management and operation of the Group, Zunyi Dashenshan Cemeteries upheld the concept of "Green landscape, Modernised management and Humanised service" and constructed an "Ecological, Radiant, Calm and Peaceful" ambiance based on certain internationally renowned cemeteries integrating Chinese traditional culture. Under the brand direction of "Culture inheritance, Congregation of talents and resources and Formation of ecology", it marked a new chapter of inspiration of park construction and cemetery building in Guizhou Province. The newly established "Chen Shan Blessed Land (辰山福地)" and "Garden of Good Deeds (功勳苑)" have become the new highlights of the cemetery. During the year under review, Zunyi Dashenshan Cemeteries officially applied ERP management system which fundamentally changed the traditional management and service model. Through information management, the service process was further standardised. The Group planned to make Zunyi Dashenshan Cemeteries a model enterprise in the province in three years.

During the financial year, through the actualisation of social value driven by business value, the Group proactively establish its brand image while actively pursue the maximisation of the social value of the corporation and participating in social and cultural activities which involved interaction with the public. Not only did it reflect the social responsibility of the Group, but it also enhanced the impression of the brand image of the Group. The "Missile, Nuclear Bomb and Satellite" Contributor Memorial Park of Zhejiang Anxian Yuan is another iconic themed memorial cemetery following the War Hero Memorial Cemetery and New Concept Ecological Art Park, manifesting a beneficial attempt to reflect the social value of the funeral industry in Zhejiang province. Upon construction, the cemetery became a patriotism education base and red touristic base in Hangzhou, greatly enriching the construction of life memorial park by Zhejiang Anxian Yuan. Meanwhile, the "Experience the Process and Memorialize the Contributors of Missile, Nuclear Bomb and Satellite (重走兩彈一星路·追憶兩彈一星人)" activity organised by Zhejiang Anxian Yuan attracted CCTV-7 and Beijing TV Station to make a special report and acquired explicit recognition among all level of industrial leaders and social hierarchies. It greatly enhanced the brand effect of "Class• Anxian (品位•安賢)" and acquired excellent social benefits. It is worth mentioning that in order to proactively respond to the requirement under "Proposal for the Special Remediation Action on Outstanding Issues of Funeral and Burial Industry Nationwide" (《全國殯葬領域突出問題專項整治行動方案》) issued by Ministry of Civil Affairs and other eight government ministries on 27 June 2018, the Group strongly advocated the a new concept of funeral method, which is ecological, land-saving, environmentally-friendly and low-carbon, and promote a new funeral concept of "Land-saving Ecological Funeral to Protect the Water and Mountains" which further conveyed the meaning of life and promoted the harmony between funeral activities and ecology. The Group has been insisting on the public welfare business of elderly care and sparing no efforts to promote it. During the year, under the guidance of the Group, Yin Chuan Fu Shou Yuan has constructed the "Forest of Care (關愛林)" ecological park to help the orphans and poor and provided ecological burial service for the underprivileged such as the orphaned, widowed, challenged, aged in need. Not only did it provide them with burial services, but also ensure decent burials, hence better corporate image.

During the year under review, while proactively upgrading the brand building externally, the Group also focused on its internal management system. During the year, the Group launched series of internal trainings in all cemeteries with an aim to nurture the subjectivity of every "Anxian Member" as an "insider" to achieve improvement from mindset to action. In addition, the Group continued to organize site-visit and research at different locations, made attempts on improvement of the Group's new products, porcelain images and interior decorations, and encouraged the innovation and expansion of service items. In order to promote the provision of funeral service, the Group provided internal training for funeral etiquette and venue decoration and engaged professional instructor of funeral etiquette to give the etiquette training. The series of training reserved talents facilitated the long-term development of the Group and laid a solid and stable foundation for the improvement of the management hierarchy, enhancement of overall quality and the management and operation of all cemeteries of the Group.

CHAIRMAN'S STATEMENT

In 2019, forging ahead through challenges with an unwavering heart, the Group acquired widespread recognition in the society and obtained various honors in the industry. In September 2018, Zhejiang Anxian Yuan was awarded the position of president unit of Zhejiang Funeral Association and its New Concept Ecological Art Park（新概念生態藝術苑）and Anxian Home of Hundreds of Years（安賢百年居）were both recognised as the "Demonstration Spot of Land-saving and Ecological Burial Facility in Hangzhou City". Mr. Shi Hua, the chairman of the Group, was elected as the president of Zhejiang Funeral Association; Mr. Shi Jun, the Chief Executive Officer of the Group, was elected as the president of Hangzhou Funeral and Interment Trade Association.

General Secretary Xi indicated that "History looks kindly on those with resolve, with drive and ambition, and with plenty of guts, it won't wait for the hesitant, the apathetic, or those shy of a challenge". Looking forward, the world is full of hopes and challenges. While digging deep into its core businesses, the Group will also expand its business fields and the integrated service of "graveside ritual" and "ritualistic equipment" will be driven by the professional image of "funeral" and "burial". On behalf of the management of the Group, I, together with all "Anxian Members", will develop new concepts for burial and create a new chapter for the industry while consolidating the foundation and staying up-to-date with a dedicated, thankful and ambitious spirit as well as a strong sense of responsibility and mission in the new financial year in order to reward the shareholders and investors with good performance and return the society and customers with the most professional attitude and the highest quality of services.

Shi Hua
Chairman

Hong Kong, 24 June 2019

MARKET OVERVIEW

Along with the intensified aging of the Chinese population in the recent years, the average annual mortality rate has shown an increasing trend. It is estimated that the aged population in the PRC will exceed 200 million in 2020 with mortality rate remains at 7.1%. With the aging and the increase of cremation rate year by year, the funeral service industry will definitely become one of the industries with steady growth in the PRC. These current situations not only be reflected in the actual number of aged people, but also affected by the progress of urbanisation and the traditional Chinese culture of respecting elderly. Notably, the consumer groups of the funeral service industry are enlarging gradually, and the requirements in terms of quality of peoples from different levels on funeral service is also increasing gradually, which contributed to the enormous potential in the funeral service industry in the PRC.

According to the "Regulations on Funeral and Interment Control (Exposure Draft)"《殯葬管理條例》(徵求意見稿) announced by the Ministry of Civil Affairs of the PRC in 2018, the PRC government will continue to strengthen the regulations on funeral industry, to implement funeral reformation and regulate funeral activities, thereby promoting the development of socialism spiritual civilisation and ecological civilisation. Under the premise of following the directions of the government, we are constantly improving ourselves to cope with the growing demand in society. Currently, the annual number of deaths from the aging society is nearly 10 million, and the annual number of deaths is expected to rise to approximately 25 million during 2040 to 2070, and the demand for funeral service industry is expected to reach a new height. Restricted by constraints including land resources, ways of mourning and relevant regulations, the future costs in funeral service industry will also continue to surge, such that reasonable planning and utilisation of existing resources will become an essential factor in the future development of the Company. With the substantial increase in demand for funeral service in the future, the Group have to vigorously develop personalisation and customisation and green funeral based on tradition funeral services, which are also in line with the long-term development of the Group, so as to cope with the demand for different levels and prices.

BUSINESS REVIEW AND OUTLOOK

During the Year, the Group achieved new progress continuously in its core business, and promoted comprehensive development with its core business. The Group actively implemented its strategic layout and formed a mutually beneficial momentum between the benefit of the enterprise and humanistic cultural influence. Among which, Zhejiang Anxian Yuan, as the flagship project of the Group, maintained a solid development trend in its results during the Year, and has become the best ecological culture cemetery in Zhejiang province. It received, for several times, awards in the industry and is also a Civilized Enterprise in Zhejiang Province and the president unit of the Funeral Association of Zhejiang Province. Under the guidance of the State-of-the-art management of the Group, the brand images of Yin Chuan Fu Shou Yuan and Zunyi Dashenshan ecological cemeteries are also deeply rooted in the hearts of the people and received extensive support and recognition from the government and different sectors of society through organizing various social and humanistic cultural activities and interacting with the public during such activities. During the Year, the Group underwent a comprehensive strategy upgrade in terms of the building and structure of the management, as well as the overall strategy layout of its business, which achieved remarkable results. As one of the leaders in the funeral industry in the PRC, the Group will continue to establish its layout successively in cities with promising market prospects and rich resources in funeral project and service, and will commence strategic cooperation with local governments, nursing institutions and insurance medical institutions, so as to implant the management experience and industry concepts of Anxian Yuan while supporting the local funeral reforms. At the same time, the Group will uphold the mission and responsibilities for the industry and society and actively utilise the social value of the enterprise. It will also promote the formation of ecological civilisation and implement the development concept of green funeral by participating in organising various social welfare activities.

Looking forward, the Group will adhere to its initial intention to capture the growth opportunities in the funeral industry from the urbanisation and aging in the PRC through constant innovation. The Group will continue to enhance its external competitiveness while optimising internal structures, thereby promoting the sustainable and healthy development of its business, and it will strive to explore a development model in the funeral industry that is harmonious with social development, with time value and meaningful for promotion to demonstrate the ultimate quality of life and ethnic cultural spirit, thereby contributing to the funeral reform during its peak and establishing a model for the green funeral era.

FINANCIAL REVIEW

For the Year, the Group recorded net profit of approximately HK$17.0 million (2018: approximately HK$17.3 million) and revenue of approximately HK$223.1 million (2018: approximately HK$206.6 million). The Group's earnings before interest and tax was approximately HK$40.8 million (2018: approximately HK$54.8 million). Decrease in the Group's net profit by approximately HK$0.3 million year-on-year was mainly due to (i) the lower gross profit because of the higher direct cost; (ii) the loss on disposal of a subsidiary and an associate amounting to approximately HK$3.0 million: and (iii) write-off of other receivables amounting to approximately HK$5.0 million, and net off with decrease in finance costs of approximately HK$10.4 million.

The increase in revenue by approximately HK$16.5 million (or approximately 8%) was mainly attributable to the generic growth of our flag ship cemetery, Zhejiang Anxian Yuan, coupled with the contributions from our two members, Yin Chuan Fu Shou Yuan and Zunyi Dashenshan. Of the total revenue of approximately HK$223.1 million, tombs and niches sales amounted to approximately HK$199.6 million (2018: approximately HK$183.2 million). Total number of tomb sold for the Year was 2,368 units (2018: 2,401 units).

Total assets and net assets of the Group as at 31 March 2019 were approximately HK$1,098.7 million (2018: approximately HK$1,192.1 million) and approximately HK$658.1 million (2018: approximately HK$689.4 million) respectively. The decrease in net assets was mainly due to depreciation of RMB against HK$.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the net cash outflow was approximately HK$10.4 million (2018: HK$66.1 million). As at 31 March 2019, the cash and cash equivalents of the Group was approximately HK$35.0 million (2018: approximately HK$47.8 million). The Group had short-term bank and other borrowings of approximately HK$74.9 million (2018: approximately HK$36.5 million) and long-term bank and other borrowings of approximately HK$137.3 million (2018: approximately HK$226.4 million) as at 31 March 2019. During the Year, the Group had spent approximately HK$36.6 million on net for repayment of bank and other borrowings in order to improve the Group's financial position.

In May 2017, other borrowings of HK$100,000,000 was provided by Excel Precise International Limited ("Excel Precise") for the repayment of convertible bonds and other borrowings. 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. As at 31 March 2018, the outstanding amount of this loan was HK$50,000,000. During the Year, the Group repaid an amount of HK$20,000,000 to Excel Precise. The outstanding amount of this loan as at 31 March 2019 was HK$30,000,000. The repayment was funded by the internal resources of the Group.

GEARING RATIO

The gearing ratio (total liabilities/total assets) at the end of the Year was 0.40 (2018: 0.42).

PLEDGE OF ASSETS

As at 31 March 2019, certain properties with an aggregate net carrying amount of HK$18,402,000 were pledged for certain interest-bearing bank and other borrowings. As at 31 March 2018, no bank and other deposit was pledged for the Group's bank borrowings.

LITIGATION

No outstanding litigation of the Group as at 31 March 2019 was noted (2018: Nil).

FINANCIAL GUARANTEE

No outstanding financial guarantee of the Group as at 31 March 2019 was noted (2018: Nil).

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$ and RMB. The PRC subsidiaries of the Group were operated in the PRC. All transactions, assets and liabilities of the PRC subsidiaries were denominated in RMB and were translated into HK$ at year end date as foreign operations. No foreign currency hedge was made during the Year.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 13 employees (including Directors) (2018: 12 employees) and 346 employees (2018: 301 employees) (including part-time and full-time 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 share option schemes 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$46.2 million (2018: approximately HK$44.2 million), of which contribution to mandatory provident fund were approximately HK$120,000 (2018: approximately HK$137,000). No share options were granted during the Year (2018: Nil). Details of the share options granted are set out in note 35 to the financial statements.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the Year, the Group has disposed the entire equity interest in Hangzhou Haoletian and the 35% equity interest in Hangzhou Anbaishi, details of which are set out in note 36 to the financial statements.

Except for disclosed above, there is no material acquisition and disposal of subsidiaries and associates conducted by the Group during the Year that should be notified to the shareholders of the Company.

DIVIDENDS

The Board has resolved not to recommend the payment of any dividend for the Year (2018: Nil).

CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

The capital reorganisation of the Company has become effective on 29 August 2018 which involves the share consolidation, the capital reduction and the share sub-division, details of which are as follows:

Share consolidation

Every 10 issued and unissued shares of nominal value of HK$0.10 each consolidated into 1 consolidated share of nominal value of HK$1.00 each.

Capital reduction

Immediately following the share consolidation, cancellation of the fraction in the issued share capital of the Company arising as a result of the share consolidation and the reduction of the nominal value of each of the issued consolidated shares from HK$1.00 to HK$0.10 by cancelling the paid-up to the extent of HK$0.90 on each of the issued consolidated shares.

Share sub-division

Immediately following the capital reduction, each of the authorised but unissued shares of nominal value of HK$1.00 sub-divided into 10 shares of nominal value of HK$0.10 each.

Furthermore, the change of board lot size for trading on the Stock Exchange from 20,000 shares to 10,000 shares following the completion of the capital reorganisation became effective on 29 August 2018. Details of the capital reorganisation and change in board lot size were set out in the Company's circular dated 27 July 2018.

EXECUTIVE DIRECTORS

Mr. Shi Hua, aged 67, was appointed as an Executive Director on 20 June 2011. He is also the Chairman and chairman of Nomination Committee as from 15 December 2011 and 30 March 2012 respectively. Mr. Shi Hua was the Chief Executive Officer from 15 December 2011 to 22 January 2014.

Mr. Shi Hua 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 Hua 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 Hua 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 Hua 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 Hua 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 who is an Executive Director and the Chief Executive Officer of the Company.

Mr. Shi Jun, aged 37, 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 and was responsible for the company's human resources and general business plan. He has been the general manager of Zhejiang Anxian Yuan since 2008, and was responsible for the company's overall daily operations. He is currently a director of Zhejiang Anxian Yuan.

Mr. Shi Jun is a son of Mr. Shi Hua who is an Executive Director and the Chairman of the Company.

Mr. Law Fei Shing, aged 59, 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 29 years of experience in the audit and accounting services.

Currently, Mr. Law is a non-executive director of each of S. Culture International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1255) and Pak Tak International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2668) (He was re-designated from the executive director to the non-executive director of Pak Tak International Limited on 16 December 2014).

* *for identification purposes only*

Mr. Law was a non-executive director of Beautiful China Holdings Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 706) from January 2014 to December 2017. He was an executive director and a non-executive director of Legend Strategy International Holdings Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1355) from November 2014 to April 2016 and from April 2016 to December 2016, respectively. He was also the company secretary of Orient Securities International Holdings Limited (a company listed on GEM of the Stock Exchange ("GEM"), stock code: 8001) from February 2009 to May 2016. He was an executive director of China Assurance Finance Group Limited (a company listed on GEM, stock code: 8090) from December 2017 to March 2019.

NON-EXECUTIVE DIRECTOR

Mr. Wang Hongjie, aged 65, was appointed as a Non-executive Director on 23 January 2014.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Koon Yung, aged 60, was appointed as an Independent Non-executive Director on 24 June 2014. He is the chairman of each of Audit Committee and Remuneration Committee and the member of Nomination Committee.

Mr. Chan is currently a Practising Certified Public Accountant in Hong Kong. Mr. Chan obtained a Master degree of Business Administration from the University of Strathclyde in the United Kingdom in 1993. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He acted as the financial director of Greater China for Tupperware Brand Corporation and the general manager of Hong Kong operation for Herbalife Ltd., both of which are listed companies in the United States. He has many years of experience in management, audit, finance, taxation and accounting.

Mr. Lum Pak Sum, aged 58, was appointed as an Independent Non-executive Director on 15 May 2017. He is the member of each of Audit Committee, Remuneration Committee and Nomination Committee.

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

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

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

Mr. Yao Hong, aged 59, was appointed as an Independent Non-executive Director on 26 November 2018. He is the member of each of Audit Committee, Remuneration Committee and Nomination Committee.

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

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.

BUSINESS REVIEW

A review of the Group's business during the Year and analysis of the Group's performance using financial key performance indicators and prospects of the Group's business is set out in the sections headed "Chairman's Statements" and "Management Discussion and Analysis" on pages 3 to 9. This discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out under the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 74 and 75 respectively.

The Directors do not recommend the payment of any dividend for the Year (2018: 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.

SHARE CAPITAL

Details of movements in share capital for the Year are set out in note 33 to the financial statements.

RESERVES

Details of movements in the Company and the Group during the Year are set out in note 47 to the financial statements and in the consolidated statement of changes in equity on page 78 respectively.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 March 2019, the aggregate amount of reserves available for distribution to equity holders of the Company was HK$178,057,000 (2018: Nil).

DONATIONS

No donation was noted during the Year (2018: 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 2019 (2018: Nil).

BORROWINGS

Details of borrowings of the Group as at 31 March 2019 are set out in note 29 to the financial statements.

EVENTS AFTER THE REPORTING DATE

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

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)*

Non-executive Director
Mr. Wang Hongjie

Independent Non-executive Directors
Mr. Chan Koon Yung
Mr. Lum Pak Sum
Mr. Yao Hong *(appointed on 26 November 2018)*
Mr. Lai Chun Yu *(retired on 28 August 2018)*

In accordance with Bye-laws No. 83(2), Mr. Yao Hong 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 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. Lai Chun Yu retired as Independent Non-executive Director and a member of each of Audit Committee, Remuneration Committee and Nomination Committee of the Company on 28 August 2018.

Mr. Yao Hong 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 on 26 November 2018.

Further details of the change of the directorship are set out in the Company's announcements dated 28 August 2018 and 22 November 2018.

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.

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. 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.

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.

Mr. Yao Hong has entered into a service contract with the Company for a period of one year from 26 November 2018 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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Information of Directors since the date of the interim report 2018 of the Company are set out below:

(i) Mr. Law Fei Shing resigned as an executive director of China Assurance Finance Group Limited (stock code: 8090), with effect from 18 March 2019; and

(ii) Mr. Lum Pak Sum resigned as an independent non-executive director of Yuhua Energy Holdings Limited (stock code: 2728) with effect from 25 April 2019 and appointed as a non-executive director of Sunway International Holdings Limited (stock code: 58) with effect from 28 May 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 10 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 2019, none of the 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 share option schemes. The Company has conditionally adopted a share option scheme. The details of the share option schemes are set out in the paragraph headed "Share Option Scheme" below and in note 35 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 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.

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 2019, 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:

Name of Director	Nature of interest/ Capacity	Number of Shares held	Approximate percentage of shareholding *(Note 2)*	*Note*
Mr. Shi Hua	Beneficial Owner	22,178,000	2.99%	
	Interest of controlled corporation	180,000,000	24.31%	*1*
Mr. Shi Jun	Beneficial Owner	12,200,000	1.65%	
Mr. Law Fei Shing	Beneficial Owner	2,800,000	0.38%	

Notes:

1. 180,000,000 Shares were registered in the name of Master Point Overseas Limited. 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. Under the SFO, Mr. Shi Hua was deemed to be interested in 180,000,000 Shares held by Master Point Overseas Limited.

2. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 March 2019 which was 740,545,260.

Save as disclosed above, as at 31 March 2019, 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.

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

As at 31 March 2019, so far as is known to the Directors and Chief Executives, based 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:

Name of Shareholder	**Nature of interest/ Capacity**	**Number of Shares held**	**Approximate percentage of shareholding** *(Note 2)*	*Note*
Master Point Overseas Limited	Beneficial Owner	180,000,000	24.31%	*1*
Yan Zulin	Beneficial Owner	44,644,000	6.03%	
Huang Weichun	Beneficial Owner	40,000,000	5.40%	
Qi Xing Gang	Beneficial Owner	30,000,000	4.05%	
	Interest of spouse	10,000,000	1.35%	*2*
Jin Yin	Beneficial Owner	10,000,000	1.35%	
	Interest of spouse	30,000,000	4.05%	*3*

Notes:

1. The interest of Master Point Overseas Limited is also disclosed as the interest 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".

2. Mr. Qi Xing Gang is the spouse of Ms. Jin Yin. By virtue of the SFO, Mr. Qi Xing Gang is deemed to be interested in the Shares of the Company which Ms. Jin Yin is interested in.

3. Ms. Jin Yin is the spouse of Mr. Qi Xing Gang. By virtue of the SFO, Ms. Jin Yin is deemed to be interested in the Shares of the Company which Mr. Qi Xing Gang is interested in.

4. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 March 2019 which was 740,545,260.

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

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

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

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" and "SHARE OPTION SCHEME" in this report, at no time during the Year 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) of the Company 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 41 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

During the Year, the Company operates share option schemes on 18 July 2008 (the "2008 Share Option Scheme") and 28 August 2018 (the "2018 Share Option Scheme"). The 2008 Share Option Scheme was expired and terminated on 17 July 2018.

Movements relating to the share options granted under the 2008 Share Option Scheme during the Year were as follows:

Name and category of participant	Date of grant	Exercisable period	Number of options: Balance at 1 April 2018	Granted during the Year	Lapsed during the Year	Balance at 31 March 2019	Exercise price per Share HK$
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	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 (resigned on 15 March 2018)	5 August 2015	6 August 2015 to 17 July 2018	43,000,000	–	(43,000,000)	–	0.138
Non-executive Director							
Mr. Wang Hongjie	5 August 2015	6 August 2015 to 17 July 2018	43,000,000	–	(43,000,000)	–	0.138
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 (retired on 28 August 2018)	5 August 2015	6 August 2015 to 17 July 2018	5,000,000	–	(5,000,000)	–	0.138
			173,000,000	–	(173,000,000)	–	
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
			3,700,000	–	(3,700,000)	–	
In aggregate	6 July 2010	7 July 2010 to 17 July 2018	20,000,000	–	(20,000,000)	–	0.435
In aggregate	25 October 2010	26 October 2010 to 17 July 2018	45,000,000	–	(45,000,000)	–	0.415
In aggregate	31 March 2012	3 April 2012 to 17 July 2018	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			377,862,260	–	(377,862,260)	–	

The 2018 Share Option Scheme was adopted on 28 August 2018 (the "Adoption Date") for the purpose of providing incentives or rewards to eligible persons who contribute to the success of the Group's operations. Eligible persons of the 2018 Share Option Scheme include any full-time or part-time employee of the Company or any members of the Group, including any Executive Director, Non-executive Director and Independent Non-executive Director, adviser, consultant of the Company or any the subsidiaries.

The total number of shares which may be issued upon the exercise of all options to be granted under the 2018 Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the shares in issue as at the Adoption Date as altered by the capital reorganisation undertook by the Company which became effective on 29 August 2018 (the "Scheme Mandate Limit"). The total number of shares issued and to be issued upon exercise of the options granted to a participant under the 2018 Share Option Scheme and other schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time. Where any further grant of options to a participant (the "Further Grant") would result in the shares issued and to be issued upon exercise of all options granted and to be granted under the 2018 Share Option Scheme and other schemes to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the shares in issue from time to time, the Further Grant must be separately approved by the shareholders in general meeting with such participate and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the participant is a connected person) abstaining from voting.

Notwithstanding the foregoing, the Company may not grant any option if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2018 Share Option Scheme and other schemes exceeds 30% of the shares in issue from time to time.

The Board may, at its discretion, invite any eligible persons to take up options at a price calculated as mentioned below. Upon acceptance of the option, the eligible person shall pay HK$1.00 to the Company by way of consideration for the grant. The option will be offered for acceptance for a period of 28 days from the date on which the option is granted.

The 2018 Share Option Scheme will be valid and effective for a period of ten years commencing on the date of approval of the 2018 Share Option Scheme (i.e. 28 August 2018), after which period no further options may be granted but the provisions of the 2018 Share Option Scheme shall remain in full force and effect in all other respects and options granted during the life of the 2018 Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The exercise price for the shares subject to options will be a price determined by the Board and notified to each participant and must be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options.

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.

During the Year, no share option has been granted under the 2018 Share Option Scheme. No share option was outstanding as at 31 March 2019.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year:

(i) The Group's five largest customers accounted for less than 30% of the Group's total revenue; and

(ii) The Group's largest supplier and five largest suppliers accounted for approximately 17% and 39% respectively of the Group's total purchase (not including purchases of items which are of capital nature).

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float with at least 25% of the issued Shares of the Company as required under the Listing Rules throughout the Year and up to the date of this report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties in their offices.

Such permitted indemnity provision has been in force throughout the Year and is still in force. In addition, the Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

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 42 to 68 in this annual report.

NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

Following the retirement of Mr. Lai Chun Yu as the Independent Non-executive Director with effect from the conclusion of the annual general meeting of the Company on 28 August 2018, the Company has only two independent non-executive Directors, hence failing to meet the requirement of having at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules. Further, the Company no longer fulfils the requirement on the minimum number of non-executive directors for the formation of the audit committee of the Board as stipulated in Rule 3.21 of the Listing Rules. As stated in the Company's announcement dated 28 August 2018, a suitable candidate is appointed as soon as practicable and, in any event, within the three-month period from 28 August 2018 pursuant to Rules 3.11 and 3.23 of the Listing Rules.

Mr. Yao Hong 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 26 November 2018. For further details, please refer to the Company's announcement on 22 November 2018.

Upon the appointment of Mr. Yao Hong becoming effective on 26 November 2018, the Company has fulfilled the requirements under Rules 3.10(1) and 3.21 of the Listing Rules.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Save as disclosed above, during the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

AUDITOR

The consolidated financial statements of the Company for the years ended 31 March 2017 and 2018 were audited by Ernst & Young ("EY"). EY was removed as auditor of the Group with effect from 25 February 2019. BDO Limited ("BDO") were then appointed as auditor of the Group in place of EY on 25 February 2019 following the approval by the Shareholders at the SGM held on 25 February 2019.

The consolidated financial statements of the Company for the year ended 31 March 2019 was audited by BDO, who shall retire and, being eligible, offer themselves for re-appointment and the forthcoming AGM. A resolution for the re-appointment of BDO as auditor of the Company will be proposed at the forthcoming AGM.

By Order of the Board

Mr. Shi Hua
Chairman
Hong Kong, 24 June 2019

FIVE YEAR SUMMARY

Year ended 31 March	**2019** **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS					
Revenue	**223,120**	206,609	161,584	108,044	97,396
Profit before income tax	**35,404**	39,039	12,707	11,256	44,073
Income tax expense	**(18,366)**	(21,749)	(6,895)	(1,452)	(5,937)
Profit for the year	**17,038**	17,290	5,812	9,804	38,136
Profit/(Loss) attributable to:					
Owners of the Company	**17,082**	16,730	6,240	9,465	37,425
Non-controlling interests	**(44)**	560	(428)	339	711
	17,038	17,290	5,812	9,804	38,136
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Non-current assets	**813,673**	893,768	789,572	864,169	554,049
Net current assets	**120,688**	167,928	34,827	87,954	119,912
Non-current liabilities	**(276,269)**	(372,268)	(270,124)	(361,836)	(121,841)
Net assets	**658,092**	689,428	554,275	590,287	552,120
Non-controlling interests	**(47,126)**	(50,847)	(45,411)	(48,907)	(8,915)
Equity attributable to owners of the Company	**610,966**	638,581	508,864	541,380	543,205

The Board is pleased to present the corporate governance report for the year ended 31 March 2019.

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 "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 Code throughout the Year, except for the deviation from code provisions A.1.1, A.6.7 and E.1.2 of the 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.

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.

Code Provision A.6.7 of the Code

Code provision A.6.7 of the Code provides that independent non-executive directors and other non-executive directors, as equal board members as other directors, should attend general meetings of the company. Due to other business commitments, (i) Mr. Wang Hongjie and Mr. Lai Chun Yu were unable to attend the AGM and SGM held on 28 August 2018; and (ii) Mr. Wang Hongjie and Mr. Yao Hong were unable to attend the SGM held on 25 February 2019.

Code Provision E.1.2 of the Code

Code provision E.1.2 of the Code provides that the chairman of the Board should attend the annual general meeting of the company. Due to business commitment, Mr. Shi Hua was unable to attend the AGM held on 28 August 2018.

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

Executive Directors

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

Non-executive Director

Mr. Wang Hongjie

Independent Non-executive Directors

Mr. Chan Koon Yung
Mr. Lum Pak Sum
Mr. Yao Hong *(appointed on 26 November 2018)*
Mr. Lai Chun Yu *(retired on 28 August 2018)*

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.

The Board includes a balanced composition of executive and non-executive Directors (including independent non-executive Directors) and more than one-third of the Directors are independent non-executive Directors so that there is a strong independent element in the Board, which can effectively exercise independent judgment.

The brief biographical details of the current Directors as well as the relationships among Board members, if any, are set out on in the section headed "Biographical Details of Directors and Senior Management" on pages 10 to 12 of this annual report.

Responsibilities of and Delegation by the Board

The Company is governed by the Board which is responsible for directing and supervising its affairs and overseeing the business, strategic direction and performance of the Group. Execution of the Board's decisions and daily operations are delegated to the executive Directors and the management. The functions reserved to the Board and those delegated to executive Directors and management, for the running of the Company's business, have been formalised. The Board reviews those arrangements from time to time to ensure that they remain appropriate to the needs of the Company.

The management of the Company updates the Directors on their duties and responsibilities as well as the conduct, business activities and development of the Group. It supplies the Directors and the Board committees of the Company (the "Board Committees") with adequate, complete and reliable information in a timely manner to enable them to make informed decisions on all major matters of the Company. 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. The management also provides sufficient information and explanation to the Board to enable it to make an informed assessment of financial and other information put before it for approval. The management also supplies additional information upon request and enquiry by the Directors. Timely updates on changes in laws and compliance issues relevant to the Group and appropriate information on the Group's business and activities are provided to the Directors. The Board and each Director has a separate and independent access to the management and the Company Secretary, whenever necessary, for any information relevant to the Group they may require in discharging their duties.

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 of the Board, 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 three 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.

Non-Compliance with Rules 3.10(1) and 3.21 of the Listing Rules

Following the retirement of Mr. Lai Chun Yu as the Independent Non-executive Director with effect from the conclusion of the annual general meeting of the Company on 28 August 2018, the Company has only two independent non-executive Directors, hence failing to meet the requirement of having at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules. Further, the Company no longer fulfils the requirement on the minimum number of non-executive directors for the formation of the audit committee of the Board as stipulated in Rule 3.21 of the Listing Rules. As stated in the Company's announcement dated 28 August 2018, a suitable candidate is appointed as soon as practicable and, in any event, within the three-month period from 28 August 2018 pursuant to Rules 3.11 and 3.23 of the Listing Rules.

Mr. Yao Hong 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 26 November 2018. For further details, please refer to the Company's announcement on 22 November 2018.

Upon the appointment of Mr. Yao Hong becoming effective on 26 November 2018, the Company has fulfilled the requirements under Rules 3.10(1) and 3.21 of the Listing Rules.

Directors' Attendance Records

The Board schedules regular Board meetings in advance to give Directors the opportunity to participate actively, either in person or through electronic means of communication. Directors are consulted for their views regarding inclusion of specific matters in the agenda for regular Board meetings and the draft agenda is circulated to Directors for their comments. Special Board meetings are convened as and when needed. All Directors are properly briefed on issues to be discussed at Board meetings. These Board meetings, together with the Board Committees, provide effective means for the Board and Board Committees to perform their work and discharge their duties.

During the Year, six Board meetings, four Audit Committee meetings, two Remuneration Committee meetings, two Nomination Committee meetings and three general meetings were held. Details of individual Directors' attendance at these meetings are set out in the following table:

Name of Directors	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	5/6	N/A	2/2	N/A	1/3
Mr. Shi Jun	6/6	N/A	N/A	N/A	3/3
Mr. Law Fei Shing	6/6	N/A	N/A	N/A	3/3
Non-executive Director					
Mr. Wang Hongjie	5/6	N/A	N/A	N/A	0/3
Independent non-executive Directors					
Mr. Chan Koon Yung	6/6	4/4	2/2	2/2	3/3
Mr. Lum Pak Sum	6/6	4/4	2/2	2/2	3/3
Mr. Yao Hong *(Appointed on 26 November 2018)*	2/3	1/1	0/0	0/0	0/1
Mr. Lai Chun Yu *(Retired on 28 August 2018)*	2/2	2/2	1/1	1/1	0/1

Continuous Professional Development of the Directors

Pursuant to code provision of A.6.5 of the Code, all Directors should participate in continuous professional developments (the "Continuous Professional Developments") to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, in order to ensure compliance and enhance their awareness of good corporate governance practices. The Company also arranges suitable professional development seminars or courses for the Directors and circulate various journals, articles and commentaries about the latest development of the industry from time to time amongst Directors.

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

Name of Directors	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	✓	✓
Non-executive Director		
Mr. Wang Hongjie	✓	
Independent Non-executive Directors		
Mr. Chan Koon Yung	✓	✓
Mr. Lum Pak Sum	✓	✓
Mr. Yao Hong *(Appointed on 26 November 2018)*	✓	
Mr. Lai Chun Yu *(Retired on 28 August 2018)*	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the 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

All non-executive Directors, including independent non-executive Directors, are appointed for an initial term of one year and renewable automatically for successive terms of one year until terminated by the non-executive Director or the Company by giving not less than three months' written notice. Each of the Directors is subject to retirement and re-election at least once every three years in accordance with the Company's Bye-laws.

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 proper delegation of its powers and has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Group's affairs. The Board may establish other Board Committee(s) when necessary in accordance with the Bye-laws. The terms of reference of all Board Committees have required them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

Sufficient resources, including the advice of the external auditor and other independent professional advisers, are provided to the Board Committees to enable them to discharge their duties.

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 Code. The Audit Committee is accountable to the Board and is primarily responsible for reviewing and monitoring the integrity of financial information and reporting by the Company, for reviewing the Group's internal control and risk management systems and for overseeing the relationship with the external auditor. The Audit Committee has access to and maintains an independent communication with the external auditor and the management to ensure effective information exchange on all relevant financial and accounting matters.

The full terms of reference of the Audit Committee are available on the Stock Exchange's website and the Company's website.

The Audit Committee currently comprises three Independent Non-executive Directors and is chaired by Mr. Chan Koon Yung. The other members are Mr. Lum Pak Sum and Mr. Yao Hong. None of the members of the Audit Committee is a member of the former or existing auditors of the Company.

The key roles and responsibilities of our Audit Committee include:

(i) make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and deal with any questions of its resignation or dismissal;

(ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(iii) develop and implement policy on engaging an external auditor to supply non-audit services;

(iv) monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgments contained in them;

(v) review the systems of the Company on financial controls, internal control (including without limitation the procedures for compliance with the requirements of Listing Rules and the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)) and risk management;

(vi) discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;

(vii) where an internal audit function exists, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;

(viii) review the Group's financial and accounting policies and practices;

(ix) review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response, and ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(x) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

(xi) act as the key representative body for overseeing the Company's relations with the external auditor.

During the Year, the Audit Committee has performed the following major works:

- reviewed the annual financial statements of the Group and related results announcement and report of the Company for the year ended 31 March 2018, with recommendations to the Board for approval;
- reviewed and monitored the financial reporting system, the risk management and internal control systems and the internal audit function of the Group, including their performance and effectiveness, and findings and recommendations of the independent professionals;
- reviewed the interim financial statements of the Group and related results announcement and report of the Company for the six months ended 30 September 2018, with recommendations to the Board for approval;
- received reports on the findings of Ernst & Young during their reviews and reviewed the recommendations made to management by Ernst & Young and the relevant management's responses;
- considered and made recommendations to the Board on the re-appointment of Ernst & Young;
- considered and made recommendations to the Board on change of external auditor to replace Ernst & Young with BDO Limited;
- reviewed the independence of BDO Limited and engagement of BDO Limited for annual audit for the Year;
- reviewed and approved the annual audit plan of external auditor, including the nature and scope of the audit, the fee payable to them, their reporting obligations and their work plan; and
- reviewed the Company's corporate governance compliance matters.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. Four meetings were held during the year ended 31 March 2019. The attendance records of each committee member at the Audit Committee meeting held during the Year are set out in the above section headed "Directors' Attendance Records" on page 28 of this report.

There was no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

Non-Compliance with Rules 3.10(1) and 3.21 of the Listing Rules

Following the retirement of Mr. Lai Chun Yu as the Independent Non-executive Director with effect from the conclusion of the annual general meeting of the Company on 28 August 2018, the Company has only two independent non-executive Directors, hence failing to meet the requirement of having at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules. Further, the Company no longer fulfils the requirement on the minimum number of non-executive directors for the formation of the audit committee of the Board as stipulated in Rule 3.21 of the Listing Rules. As stated in the Company's announcement dated 28 August 2018, a suitable candidate is appointed as soon as practicable and, in any event, within the three-month period from 28 August 2018 pursuant to Rules 3.11 and 3.23 of the Listing Rules.

Mr. Yao Hong 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 26 November 2018. For further details, please refer to the Company's announcement on 22 November 2018.

Upon the appointment of Mr. Yao Hong becoming effective on 26 November 2018, the Company has fulfilled the requirements under Rules 3.10(1) and 3.21 of the Listing Rules.

Remuneration Committee

The Remuneration Committee has been established with written terms of reference in compliance with code provision B.1.2 of the Code. The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Directors and certain senior managers.

The full terms of reference of the Remuneration Committee are available on the Stock Exchange's website and the Company's website.

The Remuneration Committee currently comprises three Independent Non-executive Directors and is chaired by Mr. Chan Koon Yung. The other members are Mr. Lum Pak Sum and Mr. Yao Hong.

The key roles and responsibilities of the Remuneration Committee include:

(i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(iii) make recommendations to the Board on the remuneration of Non-executive Directors;

(iv) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(v) review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vi) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(vii) ensure that no Director or any of his associates is involved in deciding his own remuneration.

During the Year, the Remuneration Committee has performed the following major works:

- reviewed the policy on remuneration and remuneration packages of all of the Directors and management;
- reviewed specific remuneration packages of all executive Directors and management, with recommendations to the Board for approval (i.e. the model described in code provision B.1.2(c)(ii) of the Code is adopted); and
- considered and made recommendation to the Board relating to the remuneration of newly appointed Director.

Meeting of the Remuneration Committee shall be held at least once a year. Two meetings were held during the year ended 31 March 2019. The attendance records of each committee member at the Remuneration Committee meeting held during the Year are set out in the above section headed "Directors' Attendance Records" on page 28 of this report.

The executive Directors are the senior management of the Company. Further details of the remuneration of Directors and the five highest paid employees have been set out in notes 8 and 9 to the financial statements respectively.

Nomination Committee

The Nomination Committee has been established with written terms of reference in compliance with code provision A.5.2 of the Code. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes directly to the Board; identifying qualified and suitable individuals to become Board members and selecting and/or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer.

The full terms of reference of the Nomination Committee are available on the Stock Exchange's website and the Company's website.

The Nomination Committee currently comprises one Executive Director and three Independent Non-executive Directors and is chaired by Mr. Shi Hua, the chairman of the Board. The other members are Mr. Chan Koon Yung, Mr. Lum Pak Sum and Mr. Yao Hong

The key roles and responsibilities of the Nomination Committee include:

(i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) assess the independence of independent non-executive Directors; and

(vi) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

A Board diversity policy was adopted by the Company, pursuant to which the Board and the Nomination Committee is responsible for reviewing and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience) and for ensuring that changes to the Board's composition can be managed without undue disruption. The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board that are aligning with the Company's strategy and objectives.

During the Year, the Nomination Committee has performed the following major works:

- reviewed the structure, size, diversity and composition of the Board and Board Committees and the split between numbers of Executive Directors, Non-executive Directors and Independent Non-executive Directors;

- considered and recommended to the Board the re-election of the retiring Directors at the 2018 annual general meeting; and

- assessed the independence of the Independent Non-executive Directors.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of educational and professional background, experience and skills.

Meeting of the Nomination Committee shall be held at least once a year. Two meetings were held during the year ended 31 March 2019. The attendance records of each committee member at the Nomination Committee meeting held during the Year are set out in the above section headed "Directors' Attendance Records" on page 28 of this report.

During the Year, in response to the amendment to the Code effective on 1 January 2019, the Company has also adopted the Director Nomination Policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing better Board effectiveness and diversity as well as in compliance with the applicable rules and regulations.

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. In selecting and evaluating candidates for directorship, the Nomination Committee may make reference to certain criteria, such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate, and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. Each candidate shall be ranked by order of preference based on the needs of the Company and his/her reference check. The Nomination Committee shall report its findings and make recommendation to the Board on the appointment of appropriate candidate for directorship for decision.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the Code. The principal roles and functions of the Board in relation to corporate governance is to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct applicable to employees and Directors, and to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the Year, the principal works performed by the Board in relation to corporate governance functions are summarised below:

- reviewed the template for monthly update (including financial information and business operations) of the Group;
- reviewed the arrangements for the Company's employees to use, in confidence, and to raise concerns about possible improprieties in financial reporting, internal control or other matters;
- reviewed the Corporate Governance Policy, Shareholders' Communication Policy and Codes of Conduct applicable to employees and Directors of the Company;
- reviewed and monitored the training and continuous professional development of the Directors and management;
- reviewed and monitored the legal and regulatory compliance policy of the Company;
- reviewed the terms of reference of each of the Board Committees; and
- reviewed the Company's compliance with the Code.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is accountable to the shareholders and is committed to presenting comprehensive and timely information to the shareholders for assessment of the Company's performance, financial position and prospects. A separate statement containing a discussion and analysis of the Group's performance is included in the section headed "Management Discussion and Analysis" of this annual report.

The Directors acknowledge their responsibility for the presentation of financial statements, which give a true and fair view of the state of affairs of the Company and the Group, and the results and cash flows for each financial period. In preparing the financial statements, the Directors have to ensure that appropriate accounting policies are adopted. The financial statements are prepared on a going concern basis. The Board is provided with explanations and information by the management of the Company, so that the Directors have an informed assessment of the financial and other information of the Group putting forward to the Board for discussion and approval.

The Board's endeavour to present a balanced, clear and understandable assessment extends to annual and interim reports and other financial disclosures required under the Listing Rules and other applicable rules.

The independent auditor's report, which contains the statement of the external auditor about its reporting responsibilities on the Group's consolidated financial statements, is set out in the section headed "Independent Auditor's Report" of this annual report.

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 2019, 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,

During the year ended 31 March 2019, the Group appointed Corporate Governance Professional Limited ("CGPL") 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 CGPL 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 CGPL as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems are 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 oversights 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 CGPL. 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.

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the SFO, the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

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.

Auditor and their Remuneration

The external auditor performs independent review or audit of the financial statements prepared by the management. BDO Limited has been engaged as the Group's external auditor in place of Ernst & Young on 25 February 2019. A statement by the auditor about its reporting responsibilities is included in the Independent Auditor's Report on the Group's consolidated financial statements on pages 69 to 73 in this annual report.

In arriving at its opinion, the auditor conducted an audit without any restrictions and had access to individual Directors (including Audit Committee members) and management of the Company.

For the year ended 31 March 2019, the remuneration paid and payable to BDO Limited in respect of the audit services of the Group are approximately HK$800,000. No non-auditing service fee is paid/payable to the Company's auditor for the Year.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group will immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact, in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

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 of the Board 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 of the Board. 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.

DIVIDEND POLICY

The Board has adopted the Dividend Policy to set out the basic principles and criteria based on which the Board may consider in determining the distribution of the dividends. Such declaration and payment of dividends shall remain to be determined at the absolute discretion of the Board, subject to all the applicable laws and regulations and the Bye-laws.

The Company intends to pay dividend(s) of not more than 75% of its distributable reserves available for distribution. However, the Board will take into account the following conditions and factors before recommending or declaring dividends, including without limitation to: (i) financial results; (ii) cash flow situation; (iii) balance of distributable reserves; (iv) business conditions and strategies; (v) future operations and earnings; and (vi) capital requirements and expenditure plans.

The Board will review the said Dividend Policy as appropriate from time to time. The historical declarations of dividends of the Group should not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Group in the future. Any declaration and payment as well as the amount of the dividends will be subject to any restrictions under the applicable laws and regulations and the Bye-laws.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make an informed investment decision.

The Company maintains a website at www.anxianyuanchina.com as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations and other information are available for public access.

The Company also provides updated information of the Group to all Shareholders when it becomes available and appropriate, through the publication of interim and annual reports, circular, notices, the Bye-laws or other means in compliance with the legal and regulatory requirements. Such information has been made available on the Company's website and the Stock Exchange's website.

Enquiries and suggestions from shareholders or investors to the Board are welcomed by mail to the Company's principal place of business in Hong Kong at Room 1215, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong or by fax (852) 2808 0791 or via email to axy@anxianyuanchina.com for the attention of the Company Secretary. Inquiries are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. It is the Company's general practice that the Chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, their duly appointed delegates, will be available to answer questions at the annual general meeting of the Company. In addition, the Company will invite representatives of the auditor to attend its annual general meeting to answer shareholders' questions about the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and auditor's independence.

SHAREHOLDERS' RIGHTS

Procedures for the Shareholders to convene a special general meeting

Pursuant to the article 58 of the Bye-laws, shareholders 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 at the Company's principal place of business in Hong Kong, to require an SGM to be called by the Board for the transaction of any business specified in such requisition, which must be signed by the requisitionist(s).

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 in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act") 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.

Procedures for Shareholders to Put Forward Proposals at General Meetings

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than one hundred shareholders, can request the Company in writing to: (a) give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders of the Company entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

For the avoidance of doubt, shareholder(s) must provide their full name(s), contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law. Shareholders may refer to the Bye-laws for further details of the rights of shareholders.

All resolutions put forward at shareholders' meetings of the Company shall be voted by poll pursuant to the Listing Rules. The poll voting results shall be posted on the websites of the Stock Exchange and the Company after each shareholders' meeting.

CONSTITUTIONAL DOCUMENTS

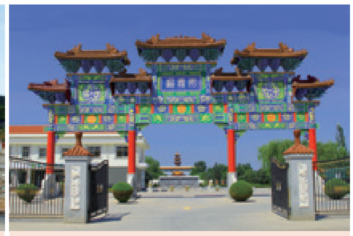
During the Year, there had not been any changes in the Company's constitutional documents. The Bye-laws are available on the websites of the Company and on the Stock Exchange.

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 leading operator in the funeral industry in the PRC. Cemeteries of Anxian Yuan spread across Hangzhou, Zunyi and Yinchuan 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.


Zhejiang Anxian Yuan


Zunyi Dashenshan


Yin Chuan Fu Shou Yuan

While steering towards sustainable development, 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, Anxian Yuan 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 organisations 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. This report emphasises 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.

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 report is an Environmental, Social and Governance Report (the "Report") published by the Anxian Yuan China Holdings Limited together with its subsidiaries (the "Group", "we", "our" or "us"). The content herein focuses on summarising the environmental, social and governance performance of our main businesses in mainland China and Hong Kong during 1 April 2018 to 31 March 2019. 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 the PRC, the Report mainly discloses on the Group's business in Hangzhou, Zunyi, Yinchuan in the PRC and Hong Kong. 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 polices 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 organisational 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 determine 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; and/or

- Evaluation, decision and action of stakeholders.

The Report was approved by the Board on 24 June 2019.

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 Department.

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, programme, website update and announcement
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	Organisation 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, labour 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 labour 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

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 the 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.

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. During the reporting year, the Group complied with all regulations related to environmental protection and it was not involved in any noncompliance issues in relation to environment protection which have significant impact on the Group.

Emission

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 source of the gas fuel we use is coal gas. We use coal gas for the cooking stoves in the staff canteen. During the reporting period, we consumed approximately 29,000 MJ (during the year 2017/18: 37,000 MJ) coal gas, representing a decrease of approximately 24% as compared with that of last year.

During the reporting year, the details of the Group's usage of vehicles are as follows:

	Year 2018/19	Year 2017/18
Number of vehicles	**15**	**19**
Type of vehicles		
Light vehicles (<=2.5 tons)	**7**	**11**
Light vehicles (2.5-5.5 tons)	**6**	**5**
Mid-sized vehicles (5.5-15 tons)	**2**	**3**
Type of fuel used		
Vehicles powered by gasoline	**10**	**13**
Vehicles powered by diesel	**5**	**6**
Total distance ran by vehicles in km	**326,298km**	**350,810km**
Gasoline consumed	**26,146 litres**	**30,434 litres**
Diesel consumed	**9,482 litres**	**10,144 litres**

The above coal gas consumption and the use of vehicles result in emission of nitrogen oxide, sulphur dioxide and particles. The relevant emission data during the year 2018/19 are set forth below:

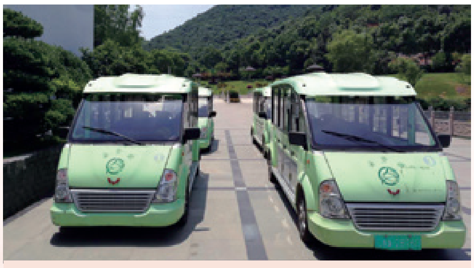
Emission	Source	Unit	Type	Figures
KPI1.1				*kg*
Emission from gas fuel consumption	Coal gas	28,575.30 MJ	Nitrogen oxide:	114,872.71
			Sulphur dioxide:	571.51
				g
Emission from vehicles	Distance ran by vehicles in km	326,298 km	Nitrogen oxide:	470,368.71
			Particles:	35,302.79
	Gasoline	26,146 litres	Sulphur dioxide:	537.01
	Diesel	9,482 litres		

During the year 2017/18, the relevant emission data of the Group are as follows:

Emission	Source	Unit	Type	Figures
KPI1.1				*kg*
Emission from gas fuel consumption	Coal gas	37,412.25 MJ	Nitrogen oxide:	150,397.24
			Sulphur dioxide:	748.24
				g
Emission from vehicles	Distance ran by vehicles in km	350,810 km	Nitrogen oxide:	473,760.23
			Particles:	38,670.40
	Gasoline	30,434 litres	Sulphur dioxide:	610.71
	Diesel	10,144 litres		

With regard to vehicles, the Group provides several shuttle busses for grave sweepers. In addition, the Group also possesses 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.


Yin Chuan Fu Shou Yuan


Zhejiang Anxian Yuan

Fossil fuel is mainly used for the cooking stoves in our staff canteen and cremators.

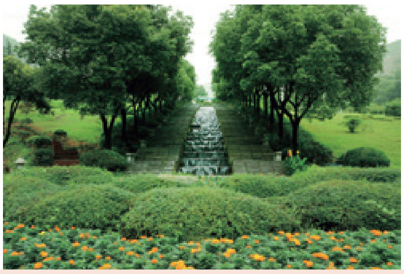
The funeral parlour of the Group located in Zunyi Dashenshan provides cremation services for customers. Hazardous gases are generated during the cremation process, including dust, carbon dioxide, nitrogen oxide and carbon monoxide. In order to minimise the impact of the aforementioned gas emission on the environment, the Group keeps a stringent supervision and control over the quantity of emission of the aforementioned gases in an endeavour 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. Meanwhile, cremation involves high-temperature combustion, the process of which requires consumption of diesel to power the cremators for cremation work.

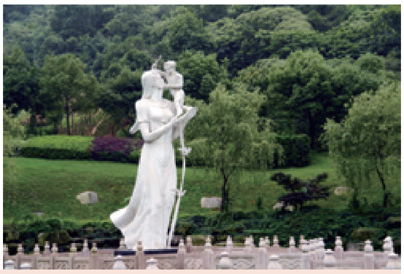
During the reporting period, we have carried out a total of 3,963 cremation projects (during the year 2017/18: 3,938). The emission data in relation to the cremation process are set forth below:

Cremation projects

	Year 2018/19	Year 2017/18
Number of cremation projects	3,963	3,938
	(kg/m^3)	(kg/m^3)
Dust	0.21	0.20
Carbon dioxide	0.17	0.17
Nitrogen oxide	0.53	0.52
Carbon monoxide	0.64	0.63

In order to reduce the emission of greenhouse gas, we plant trees proactively. During the reporting year, we planted 151,580 (during the year 2017/18: 100,057) trees in aggregate, which substantially reduced our carbon footprint. 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.





Zhejiang Anxian Yuan

Yin Chuan Fu Shou Yuan

Zunyi Dashenshan

During the reporting period, the aggregate greenhouse gas emission of the Group is set forth below:

Total greenhouse gas emission *KPI1.2*	**Source**	**Unit**	**Carbon dioxide:** *(kg)*
Scope 1: Carbon dioxide emission			
Stationary sources of greenhouse gas emission	Cooking stoves, cremators and power generators		
	Coal gas	975.00 litres	
	Diesel	55,859.00 litres	
	Gasoline	365.00 litres	149, 624.68
Mobile source of greenhouse gas emission	Vehicles		
	Gasoline	26,146.29 litres	
	Diesel	9,481.88 litres	96,837.70
Counteraction of carbon dioxide			
Counteraction of greenhouse gas by planting new trees	Planting new trees	151,580 trees	(3,486,340.00)
Scope 2: Carbon dioxide emission			
Indirect greenhouse gas emission from energy consumption	Electricity	1,538,279.00 unit	1,304,191.83
		Total carbon dioxide emission:	(1,935,685.79)

During the year 2017/18, the aggregate greenhouse gas emission of the Group is set forth below:

Total greenhouse gas emission *KPI1.2*	**Source**	**Unit**	**Carbon dioxide:** *(kg)*
Scope 1: Carbon dioxide emission			
Stationary sources of greenhouse gas emission	Cooking stoves and cremators		
	Coal gas	1,276.52 litres	
	Diesel	1,219.00 litres	191,324.91
Mobile source of greenhouse gas emission	Vehicles		
	Gasoline	30,434.02 litres	
	Diesel	10,144.46 litres	110,144.11
Counteraction of carbon dioxide			
Counteraction of greenhouse gas by planting new trees	Planting new trees	100,057 trees	(2,301,311.00)
Scope 2: Carbon dioxide emission			
Indirect greenhouse gas emission from energy consumption	Electricity	1,277,548.87 unit	1,102,725.59
	Coal gas	1,276.52 litres	868.03
		Total carbon dioxide emission:	(896,248.36)

Waste

Hazardous Waste

No hazardous waste is generated in the course of operation. Therefore, no relevant data is disclosed.

Non-hazardous Waste

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.



Zhejiang Anxian Yuan


Yin Chuan Fu Shou Yuan

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.

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 the PRC, 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 of the Group provide grave sweepers with flowers in replacement of traditional incense on traditional grave sweeping festivals to promote the Group's 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 organised the "Scanning QR Code for Flowers" activity at Zhejiang Anxian Yuan – flower giveaway to all Hangzhou citizens and propagandized civilised graveside rituals.

As the Group has recycled or eliminated the disposal of non-hazardous waste, there is no statistics or disclosure of the Group's emission of non-hazardous waste.

USE OF RESOURCES

The Group's major uses of resources are purchased water and electricity.

Drinking water processing by the government always requires consumption of electricity and most of the electricity is generated from non-renewable fossil fuel such as coal and petroleum. Consumption of water and electricity hence results in emission of carbon dioxide. However, we still wish to minimise our influence on the environment through conservation and effective usage of water resources and electricity.

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.

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, Zhejiang 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.

During the reporting period, the relevant data about the Group's usage of resources are set forth below:

Energy consumption	**Energy**	**Energy consumption**		**Energy consumption per square meter[1]**	
KPI2.1					
		Year 2018/19	Year 2017/18	Year 2018/19	Year 2017/18
	Electricity	1,538,279.00 unit	1,277,548.87 unit	0.9259 unit	1.3533 unit
	Coal gas	975.00 litres	1,276.52 litres	0.0006 litres	0.0014 litres
	Gasoline	26,511.29 litres	30,434.02 litres	0.0160 litres	0.0322 litres
	Diesel	65,340.88 litres	11,363.46 litres	0.0393 litres	0.0162 litres

Water consumption	**Total water consumption**		**Water consumption per square meter[1]**	
KPI2.2	Year 2018/19	Year 2017/18	Year 2018/19	Year 2017/18
	22,301.40 square meter	224,664.38 square meter	0.0134 square meter	1.2 square meter

[1] We have collected the data about the area of the offices and cemeteries of Zhejiang Anxian Yuan, Zunyi Dashenshan, Yin Chuan Fu Shou Yuan and Anxian Yuan as the basis for calculation of energy consumption intensity and water consumption intensity

OUR GREEN ACTIONS

We have established a comprehensive internal corporate culture to safeguard the interests of all stakeholders and will continue to disclose our results on our website and in the Environmental, Social and Governance Report. Although certain parts of our corporate culture are not filed in written record, the internal management and the all staff members consider the environment and the society as their primary concern and they are committed to reducing the use of natural resources and protecting the environment.

Cemetery Greening

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 Zhejiang Anxian Yuan, Yin Chuan Fu Shou Yuan and Zunyi Dashenshan, the greening rates of which are 65%, 34% and 89% (year 2017/18: 65%, 32% and 87%), respectively. The Group endeavours to raise the greening rate of all cemeteries and plans to make every cemetery a green eco-park.


Zhejiang Anxian Yuan

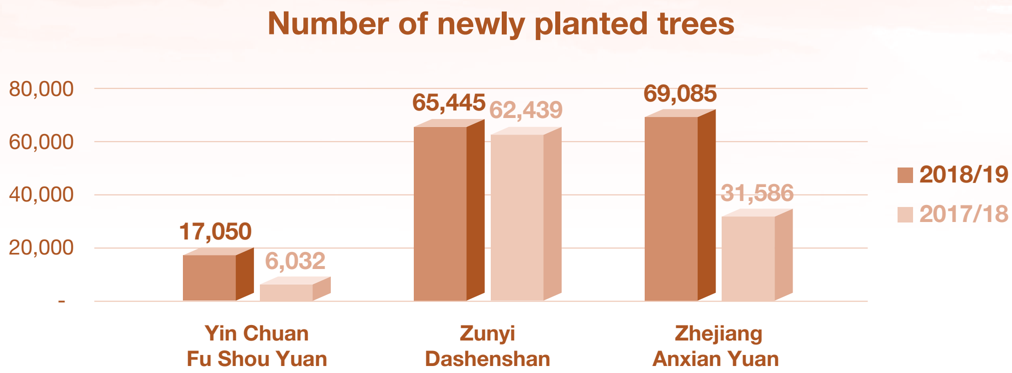
Zunyi Dashenshan


Yin Chuan Fu Shou Yuan

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 civilised graveside rituals.

We make a greening plan for every year which mainly focuses on planning the greening and plantation for the next year. Furthermore, the Group also organises tree planting activities in the cemeteries and invites customers of Anxian Yuan, primary school students and other citizens to join every year. In addition to planting new trees to increase the green area of the cemeteries, the Group also wishes to advocate the awareness of environmental protection and staying close to the nature and, at the same time, reduce the emission of greenhouse gas.

The data about our newly planted trees during the reporting period are set forth below:



Civilised Graveside Rituals

Tradition graveside rituals include burning incense and offerings and lighting firework and firecrackers which would release tremendous amount of smoke, particulate matter (PM2.5) and ashes, resulting in air pollution. However, along with the promotion and popularisation of civilised and green graveside rituals, we introduce a brand-new measure for green graveside rituals with a hope to preserve the traditional and religious culture while reducing the harm to the health and improving the environmental quality in order to become a smokeless cemetery. We strictly comply with the requirements of the government authorities and forbid customers to burn incense and offerings and light firework and firecrackers in funeral service facilities such as cemeteries. We have also set up a spot at lobby to sell products for graveside rituals and sell plastic flowers to citizens in order to advocate civilised graveside rituals.

Green Burial

We are committed to promoting green burial and advocating diversified burial methods which take up less space and are non-polluting. In addition to traditional burial service, we also provide ecological funerals and burials including new burial methods such as tree-planting burial, flower bed burial, lawn burial and wall burial.

Tree-planting Burial

Modern tree-planting burial is a new way of burial. Tree-planting burial is to bury the bone ashes under a specified tree or scatter the bone ashes on the soil and plant a tree on it as a memorial, replacing grave facilities with memorial trees or natural stones.

Lawn Burial

Lawn burial is to bury the bone ashes under a piece of lawn which not only fulfils the wish of the deceased for returning to nature but also realises a civilised and environmentally friendly way of burial.

Flower Bed Burial

In replacement of tombs, flower bed burial uses specialised degradable casket under a flower bed and flowers are planted thereon. The flower bed is reusable and it takes up a little space. Not only does it conserve land resources, but also brightens up the cemetery.

Wall Burial

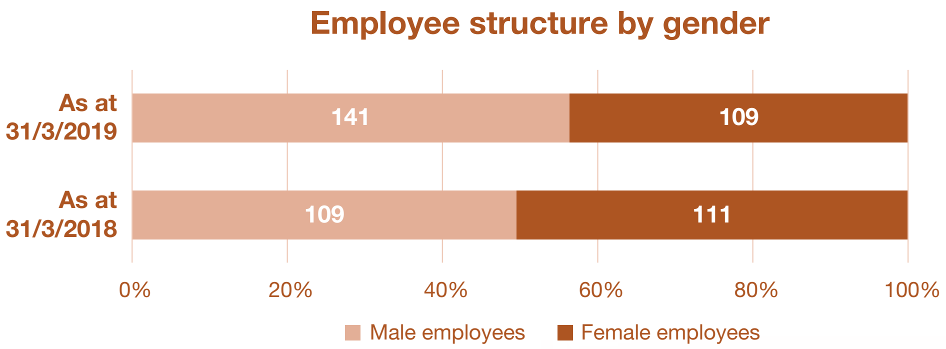
Wall burial is a way of burial where caskets are placed in niches which conserves land effectively. Niche walls are of similar heights to normal walls with square niches on the front side where caskets are placed. The niches are sealed with gypsum with the outward appearance as a headstone.

VALUING TALENTS

Our Team

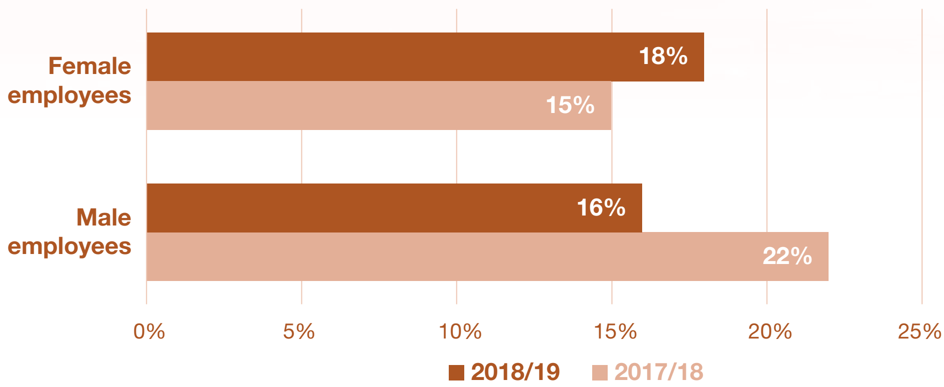
With the aging of the population intensified and urbanisation accelerated in the PRC, the funeral industry in the PRC will sustain a prolonged rapid development in the future as funeral service concerns thousands of households. The Group has always been making significant contributions and implementing diversified management in respect of society, including organising 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.

As of 31 March 2019, our employment structure is as follow:



During the reporting year, a total of 40 employees resigned and the proportion of male and female employee turnover rate is as follow:

Employee turnover rate by gender



TALENT RECRUITMENT AND RETAINMENT

We believe that the success and development of the Group's business are attributable to the devotion and contribution of employees. Hence, we proactively invest resources and provide good salary and benefits to attract talents.

Annual Salary Adjustment

We wish to share the economical achievement of the Group with our employees. We perform a general salary adjustment every year and raise the monthly salary of the employees to commend all employees for their contribution during the year. Annual salary adjustment allows us to ensure the market competitiveness of the salary we offer and attract exceptional talents in the market and retain our capable employees.

Luncheon Voucher and Staff Canteen

We have established staff canteens which not only provides a comfortable environment, but also a free, healthy and diversified staff lunch to restore employees' energy for the whole day of work. Although there is no canteen in certain project companies under the Group, we provide these employees with luncheon vouchers which allow them to have lunch at the restaurants nearby the companies for free.

Valuing the Physical and Mental Health of Employees

We value the physical and mental health of our employees. Hence, the Group has adopted a standard working hour system which limits the working hours of the employees to be under 8 hours per day. The Group strictly complies with the national requirements and ensure that the employees are able to enjoy all statutory holidays and leaves for visiting relatives, wedding ceremonies and funerals, maternity leaves and paid annual leaves. To ensure the personal health of the employees, all employees are subject to a health check organised by the Group before induction.

STAFF TRAINING

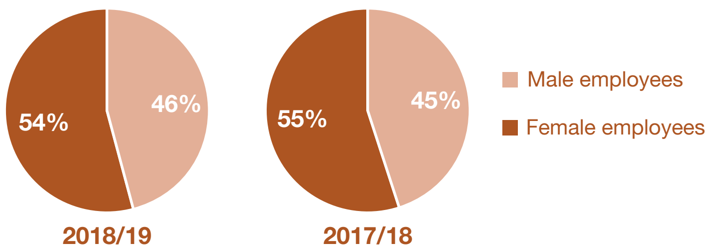
As talent cultivation is critical to the future development of the Group, the Group spares no effort on talent development and training. In order to strengthen the knowledge and skills of the employees necessary for the performance of duties, the Group conducts a survey on its employees every December concerning their feedbacks on the content of the trainings, the results of which would reflect employees' concerned topics for the work training and allow the Group to organise suitable training courses based on the needs of the corporate development. The Group also provides trainings based on the types of occupations in the funeral and burial 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.

During the reporting year, the total training hours for the Group's employees was 1,485.5 hours (year 2017/18: 1,757 hours). The average complete hours for each male and female employee are set our below:

	Year 2018/19	Year 2017/18
Average training hours of male employees	**5.76 hours**	**6.87 hours**
Average training hours of female employees	**6.81 hours**	**8.43 hours**

The proportion of employees receiving trainings by gender is as follows:

Employees receiving trainings by gender



Job-related knowledge Training

We understand the importance of inspiring talents' potential through training. We are committed to promoting on-the-job trainings and providing employees with trainings for skills required in their job duties in order to further consolidate their job-related knowledge.

Induction Training

We attach importance to every new employee. In order to help our employees integrate into the company environment as soon as possible and recognise our culture, we provide new employees with induction trainings and introduce to them the Group's history, basic workflow, code of conduct and company structure, so that they can promptly throw themselves into work and enjoy it.

Computer System Skills Training

The Group continues to improve the level of information technology systems, including updates on the operating systems and purchase of more advanced office software in order to achieve an efficient working environment and bring more satisfactory services to customers. In the year 2018/19, we designed a number of computer system training courses for employees to enable them to keep abreast of the development and have an in-depth understanding of the operation of advanced computer systems, including:

- Detailed instructions on operating corporate OA collaborative office software

- Introduction to the ERP Management System

Fire Safety Training

Due to the potential fire risk caused by grave-sweeping activities, we regularly provide fire safety trainings and fire drills for employees to raise their awareness on fire safety. In February 2019, we carried out fire drills together with a fire awareness company and an external cleaning company, where each of the attendees practiced on the fire extinguisher and acquired necessary knowledge about fire safety. In order to make adequate preparation for the upcoming grave-sweeping season, we carried out fire safety training to enhance employees' ability to deal with emergencies.

Marketing Skills Training

Leveraging marketing skills trainings, our marketing officers share their marketing skills and experience in order to maintain their competitiveness and enhance their professional and personal development. To facilitate business development, we also hold joint marketing meetings regularly to review performance and praise outstanding employees with a view to enhance the team's morale and build a high-performing team.

Funeral Service Training

We also spare no effort in our service training, striving to cultivate a high-quality service team which can provide premium services. Therefore, to continuously consolidate employees' knowledge about funeral and burial and maintain the service standard, we provide funeral service training regularly, such as "Practical Etiquette Training", "Operational Training on Funeral Etiquette and Venue Decoration" and "Training on Funeral Service Quality and Public Satisfaction". The Group also provides trainings based on the types of occupations in the funeral and burial industry specified by the Ministry of Civil Affairs and Ministry of Labor Indemnification in order to ensure relevant employees obtains qualified licenses.

Professional Qualification

We support our staff to pursue continuous education and encourage personnel from the finance department, engineering department and human resources department to participate in vocational qualification examinations to obtain relevant professional qualifications. At the beginning of each year, we plan the total amount of funding for examinations during the year to ensure that eligible employees receive relevant funding. We will also continue to pay attention to the timetable for relevant examinations so as to timely remind or advise our employees to participate in suitable professional qualification examinations. We are also committed to fully subsidise the expense of staff for participation in examinations.

Non-job-related Knowledge Trainings

Health Talks

We attach great importance to employee health. In order to arouse employees' awareness of healthy life and disease prevention, we organise health talks regularly to allow employees access the latest health information. In March 2019, we held a talk on the topic of female health knowledge and invited Prof. Qiu, a member of the Medical and Hygiene Committee under the Ningxia Committee of the Jui San Society（九三學社寧夏區委醫藥衛生專委會）and a professor of Ningxia Medical University, to give a talk about common female diseases for female employees, which enhanced their knowledge about health and allow them to take precautions.

Book Sharing Sessions

We believe reading can enhance knowledge and help broaden our horizons and visions. Therefore, we actively encourage employees to read more. The Group has an internal library which is different from general libraries. The collections of the library come from our employees. We will hold a book sharing session every month for our employees, so that they can read more books during spare time. We encourage employees to read at least one book per month and share with each together at the sharing session at the end of the month. After the sharing session is over, we will purchase the good books recommended by our employees at the sharing session and place them in the Group's internal library allowing all employees to borrow.

AWARDS AND RECOGNITION

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 civilised 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. During the reporting year, the Group was awarded the honorary title of "Civilized Enterprise in Zhejiang Province". The title of Provincial Outstanding Enterprise is the highest comprehensive honor, which reflects our excellent staff quality, distinguished management standards and positive social image.

EMPHASIS ON POLICIES

DIVERSITY POLICY

We attach significant importance to the principle of discrimination-free management and strive to create a diversified working environment. For the composition of the Board, the Group has implemented diversity policy and established a nomination committee as of now to regularly review the structure, scale and composition of the Board.

The nomination committee selects members of the Board based on the different aspects set out in the diversity policy, including but not limited to gender, age, culture and education background, professional qualification, skills, knowledge and industrial and regional experience. The finally selected directors shall have certain advantages in the above factors and shall be able to contribute to the Board in order to achieve the diversity purpose of the Board. Currently, the directors of the Group have different backgrounds and possess sufficient relevant experience and professional background, such as financial accounting, which allows them to complement each other for the governance of the Company and form a relatively all-inclusive corporate governance system. The nomination committee is responsible for the continuous review of the composition of the Board to ensure the lasting effectiveness of the diversity policy.

EQUAL OPPORTUNITIES AND DIVERSIFICATION AND ACCEPTANCE

The Group is committed to establishing an open, fair, just and reasonable competition for talents. We attach great importance to the appointment of talents and also focus on the training of personnel. We strive to create a stable working environment with diversification and acceptance and provide excellent remuneration and benefits to attract and retain talents.

According to the diversity policy, apart from the members of the Board, we also apply the discrimination-free, diversification and acceptance principle to the working environment of other employees and strive to provide an accepting, harassment-free, non-discriminatory and harmonious working environment. 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, antidiscrimination and other treatments and benefits. The Group has strictly complied with the laws and regulations related to employment and labor which have significant impact on the Group. We determine a fair remuneration according the staff contribution and market standards.

Meanwhile, the Group also undertakes that the recruitment, promotion and dismissal decisions are based on performance through a fair and transparent process and not affected by race, ethnicity, nationality, religion, gender, age and disability, and offers all employees with equal opportunities. Currently, the male and female employees of the Group account for an approximate proportion and both are entitled to the same career development opportunities and benefits. For instance, both male and female employees can receive the same trainings. During the reporting year, the average hours of training completed by male and female employees are close.

At the same time, the Group has zero tolerance towards discrimination or harassment acts at any workplaces. We will take corresponding actions if any act of discrimination or harassment is discovered. In the future, we will continue to deepen the diversity policy to create an inclusive and diversified working environment.

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.

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, Zhejiang 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.

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.

EMPHASIS ON 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.

EMPHASIS ON QUALITY

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.

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.

EMPHASIS ON COMMUNITY

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

The activities organised 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 organised by the Group during the reporting year include:

Free Collective Ecological Funeral Ceremony

The Group makes an announcement through the major media every year to invite people from various sectors of the community to participate in our free ecological funeral ceremony. Ecological burial is different from traditional cemeteries as we use flower beds instead of tombs and a special degradable urn is placed under the flower beds. The urn is made of special materials, which will degrade together with the bone ashes in around two to three years. Not only can our ecological burial conserve land resources, but also illuminate and brighten up the cemetery environment and allow the departed to return to the nature.

In April and September 2018, we held a collective ecological burial ceremony at Anxian Yuan Land Conservation Ecological Landscape Art Park (安賢園節地生態景觀藝術苑) and Yin Chuan Fu Shou Yuan Ecological Memorial Square (銀川福壽園生態紀念廣場), respectively. Through the public welfare activity of ecological burial, we explored the path of sustainable development with in-depth implementation of our vision of green development, advocated an environmentally friendly and low-carbon burial method and promoted the construction of ecological civilisation.

"Anxian Cup" Hangzhou City Retired Cadre Fishing Tournament (「安賢杯」杭州市老幹部垂釣大賽)

We cooperated with the Hangzhou City Retired Cadre Fishing Association (杭州市老幹部釣魚協會) in the Hangzhou City Retired Cadre Activity Center (杭州市老幹部活動中心) to hold the 11th "Anxian Cup" Fishing Tournament for retired cadres in Hangzhou City in June 2018. This activity aimed to provide a platform for retired seniors to communicate, enhance friendship and demonstrate their passion for life. There were first prize, second prize, third prize, outstanding award and friendship award in the tournament. Through this fishing tournament, the retired seniors can train their bodies, entertain themselves and find the enjoyment in fishing.

"Youth Warming-up the Dusk" Ancestral Worship and Hiking Activities for the Elderly (「青春情暖夕陽紅」老年人祭掃先烈踏青活動)

To further uphold the traditional virtue of respecting the seniors, enrich the spiritual and cultural life of seniors, and create an atmosphere of respecting, loving and helping seniors while allowing cancer patients to feel the presence of spring and the care from the society, we organised an elderly visit and hiking activity called "Youth Warming-up the Dusk (青春情暖夕陽紅)" on 20 March 2019 with Hangzhou City Cancer Rehabilitation Association (杭州市癌症康復協會). Through the park visiting activity and media promotion, we have enhanced the sense of belonging and recognition of the seniors and built up the communication between seniors and youths.

"Missile, Nuclear Bomb and Satellite" Heroes Memorial Park Opening Ceremony and Memorial Forum

In the 1950s, the "Missile, Nuclear Bomb and Satellite" task of China got off to a rough start. A number of scientific researchers from all places who came together to a desert in the northwest actualised the leapfrogging development of nuclear bomb, missile and satellite from scratch and from frail to solid with an astonishing speed, and devoted their lives to realise the dream of self-reliant nation.

To memorialise the spirit of the heroes at the military construction base for "Missile, Nuclear Bomb and Satellite" in the past, Zhejiang Anxian Yuan designed and constructed Zhejiang Missile, Nuclear Bomb and Satellite Heroes Memorial Park (浙江兩彈一星奉獻者紀念園) together with relevant organisations including old academicians, old professors and old experts of the Chinese Academy of Sciences and old soldiers of the People's Liberation Army who participated in the design, research and development of "Missile, Nuclear Bomb and Satellite".

The grand opening ceremony of the "Missile, Nuclear Bomb and Satellite" Heroes Memorial Park held on 12 October 2018 was attended by government organisations (including Zhejiang Civil Affairs Bureau, Zhejiang Province National Security Science, Technology and Industry Office (浙江省國防科學技術工業辦公室) and People's Political Consultative Conference of Hangzhou City (杭州市政協)), representatives of the "Missile, Nuclear Bomb and Satellite" heroes and their families and news reporters, to memorialise the spirit of the "Missile, Nuclear Bomb and Satellite" heroes and celebrate the 69th anniversary of the foundation of the People's Republic of China.

INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

Key Performance Indicator (KPI)	Environmental, Social and Governance Report	Disclosure Section	Notes
A. Environment			
Aspect A1: Emissions			
General disclosure		Environment – Summary	
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.			
A1.1	The types of emissions and respective emissions data	Emission	
A1.2	Greenhouse gas emissions in total	Emission	
A1.3	Total hazardous waste produced		No hazardous waste is generated in the course of our operation. Therefore, no relevant data is disclosed.
A1.4	Total non-hazardous waste produced		As the Group has recycled or eliminated the disposal of non-hazardous waste, there is no statistics and disclosure of the Group's emission of non-hazardous waste.
A1.5	Description of measures to mitigate emissions and results achieved	Our Green Actions	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Waste	

Key Performance Indicator (KPI)	Environmental, Social and Governance Report	Disclosure Section	Notes
Aspect A2: Use of Resources			
General Disclosure			
Policies on the efficient use of resources, including energy, water and other raw materials.			
A2.1	Direct and/or indirect energy consumption by type in total	Use of Resources	
A2.2	Water consumption in total and intensity	Use of Resources	
A2.3	Description of energy use efficiency initiatives and results achieved	Our Green Actions	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Our Green Actions	
A2.5	Total packaging material used for finished products	N/A	Our operation process does not involve the use of packaging materials.
Aspect A3: The Environment and Natural Resources			
General Disclosure		Our Green Actions	
Policies on minimizing the issuer's significant impact on the environment and natural resources.			
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Our Green Actions	

Key Performance Indicator (KPI)	Environmental, Social and Governance Report	Disclosure Section	Notes
B. Social			
Aspect B1: Employment			
General Disclosure		Our Team	
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.			
B1.1	Total employees by gender, employment type, age group and geographical region	Our Team	
B1.2	Employee turnover rate by gender, age group and geographical region	Our Team	
Aspect B2: Health and Safety			
General Disclosure		Health and Safety	
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.			
B2.1	Number and rate of work-related fatalities	N/A	During the reporting period, there were no work-related fatalities or injuries in the Group.
B2.2	Lost days due to work injury	N/A	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety	

Key Performance Indicator (KPI)	Environmental, Social and Governance Report	Disclosure Section	Notes
Aspect B3: Development and Training			
General Disclosure			
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Staff Training	
B3.1	The percentage of employees trained by gender and employee category	Staff Training	
B3.2	The average training hours completed per employee by gender and employee category	Staff Training	
Aspect B4: Labor Standards			
General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor		Labor Standards	
B4.1	Description of measures to review employment practices to avoid child and forced labor	Labor Standards	
B4.2	Description of steps taken to eliminate such practices when discovered	Labor Standards	

Key Performance Indicator (KPI)	Environmental, Social and Governance Report	Disclosure Section	Notes
Aspect B5: Supply Chain Management			
General Disclosure			
Policies on managing environmental and social risks of the supply chain.		Emphasis on Supply Chain Management	
B5.1	Number of suppliers by geographical region	Non-discloseable	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Emphasis on Supply Chain Management	
Aspect B6: Product Responsibility			
General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Emphasis on Quality	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons		During the reporting period, there were no sold or delivered products which were required to be recovered due to health and safety and complaints about products and services received.
B6.2	Number of products and service related complaints received and how they are dealt with		
B6.3	Description of practices relating to observing and protecting intellectual property rights	N/A	
B6.4	Description of quality assurance process and recall procedures	N/A	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Emphasis on Quality	

Key Performance Indicator (KPI)	Environmental, Social and Governance Report	Disclosure Section	Notes
Aspect B7: Anti-corruption			
General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-corruption	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	N/A	During the reporting period, there were no legal cases and accusations regarding corruption in which the Group or the employees of the Group are involved.
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	N/A	
Aspect B8: Community Investment			
General Disclosure			
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Emphasis on Community	
B8.1	Focus areas of contribution	Non-discloseable	
B8.2	Resources contributed to the focus area	Non-discloseable	

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TO THE SHAREHOLDERS 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 (together the "Group") set out on pages 74 to 182, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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 disclosure requirements of 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.

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of goodwill

Refer to note 16, and the Group's significant accounting judgements and estimates in relation to impairment of goodwill are set out in note 3(i) to the consolidated financial statements.

As at 31 March 2019, goodwill of the Group amounted to HK$13,029,000. In accordance with HKFRSs, the Group performed impairment testing of goodwill 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 management's assessment process was significantly judgmental and was based on assumptions, including discount rates, growth rates and expected changes to selling prices and direct costs, which were affected by expected future market or economic conditions.

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

Our response:

Our procedures in relation to the management's impairment assessment of goodwill included:

- Evaluating the independent valuation firm's competence, capabilities and objectivity;
- Assessing the reasonableness of key assumptions based on our knowledge of the business and industry, in particular those relating to the cash flow forecasts underlying the value-in-use calculation;
- Checking, on a sample basis, the accuracy and relevance of the data provided by the management, such as growth rate and discount rate used;
- Conducting in-depth discussions with management about the cash flow projections used in the value-in-use calculation and the appropriateness of the significant assumptions and critical judgement areas which affect the value-in-use calculation; and
- Benchmarking the growth rate and discount rate used in the value-in-use calculation against independent industry data and comparable companies.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 22 June 2018.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors of the Company in discharging their responsibilities in this regard.

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. This 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 HKSAs 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.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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.

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.

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

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018
Hong Kong, 24 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**223,120**	206,609
Cost of sales		**(79,486)**	(51,686)
Gross profit		**143,634**	154,923
Other income and gains	5	**4,995**	1,729
Selling and distribution expenses		**(21,076)**	(19,185)
Administrative expenses		**(86,901)**	(82,693)
Finance costs	7	**(5,387)**	(15,754)
Share of profits of an associate		**139**	19
PROFIT BEFORE INCOME TAX	6	**35,404**	39,039
Income tax expense	10	**(18,366)**	(21,749)
PROFIT FOR THE YEAR		**17,038**	17,290
Profit/(Loss) for the year attributable to:			
Owners of the Company		**17,082**	16,730
Non-controlling interests		**(44)**	560
		17,038	17,290
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR			(restated)
Basic (HK cents)	12	**2.31**	2.36
Diluted (HK cents)	12	**2.31**	2.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR	**17,038**	17,290
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(47,996)**	71,735
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(47,996)**	71,735
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(30,958)**	89,025
Total comprehensive income for the year attributable to:		
Owners of the Company	**(27,615)**	83,589
Non-controlling interests	**(3,343)**	5,436
	(30,958)	89,025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**114,454**	125,172
Investment properties	*14*	**–**	243
Intangible assets	*15*	**451,028**	485,877
Goodwill	*16*	**13,029**	13,948
Investment in an associate	*17*	**–**	4,764
Equity investments	*18*	**2,332**	–
Available-for-sale investments	*18*	**–**	2,496
Cemetery assets	*19*	**232,830**	261,268
Total non-current assets		**813,673**	893,768
CURRENT ASSETS			
Inventories	*21*	**245,670**	235,351
Trade receivables	*22*	**912**	1,559
Prepayments, deposits and other receivables	*23*	**3,456**	13,590
Cash and cash equivalents	*24*	**34,999**	47,836
Total current assets		**285,037**	298,336
CURRENT LIABILITIES			
Trade payables	*25*	**33,953**	29,817
Other payables and accruals	*26*	**7,515**	41,958
Deferred income	*27*	**–**	3,491
Contract liabilities	*28*	**23,684**	–
Interest-bearing bank and other borrowings	*29*	**74,941**	36,525
Amounts due to non-controlling shareholders	*30*	**2,827**	924
Tax payables		**21,429**	17,693
Total current liabilities		**164,349**	130,408
NET CURRENT ASSETS		**120,688**	167,928
TOTAL ASSETS LESS CURRENT LIABILITIES		**934,361**	1,061,696
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*29*	**137,341**	226,424
Deferred income	*27*	**–**	14,738
Contract liabilities	*28*	**17,250**	–
Deferred tax liabilities	*20*	**121,678**	131,106
Total non-current liabilities		**276,269**	372,268
NET ASSETS		**658,092**	689,428

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
EQUITY			
Share capital	*33*	**74,055**	740,545
Reserves	*34*	**536,911**	(101,964)
Equity attributable to owners of the Company		**610,966**	638,581
Non-controlling interests		**47,126**	50,847
TOTAL EQUITY		**658,092**	689,428

The consolidated financial statements on page 74 to 182 were approved and authorised for issue by the board of directors on 24 June 2019 and are signed on its behalf by:

Shi Hua	**Law Fei Shing**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company										
	Share capital HK$'000 *(note 33)*	Share premium* HK$'000	Share-based compensation reserve* HK$'000 *(note 35)*	Contributed surplus reserve* HK$'000 *(note 33(d))*	Statutory reserve fund* HK$'000 *(note 34)*	Exchange fluctuation reserve* HK$'000	Other reserve* HK$'000	(Accumulated losses)/ Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2018	**740,545**	**145,849**	**21,968**	**–**	**13,004**	**31,957**	**(11,458)**	**(303,284)**	**638,581**	**50,847**	**689,428**
Profit/(Loss) for the year	–	–	–	–	–	–	–	17,082	17,082	(44)	17,038
Other comprehensive income for the year:											
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	(44,697)	–	–	(44,697)	(3,299)	(47,996)
Total comprehensive income for the year	–	–	–	–	–	(44,697)	–	17,082	(27,615)	(3,343)	(30,958)
Share consolidation and capital reduction *(note 33(d))*	(666,490)	–	–	189,490	–	–	–	477,000	–	–	–
Dividend paid to non-controlling shareholder	–	–	–	–	–	–	–	–	–	(378)	(378)
Lapse of share options	–	–	(21,968)	–	–	–	–	21,968	–	–	–
Transferred from retained profits	–	–	–	–	3,016	–	–	(3,016)	–	–	–
At 31 March 2019	**74,055**	**145,849**	**–**	**189,490**	**16,020**	**(12,740)**	**(11,458)**	**209,750**	**610,966**	**47,126**	**658,092**

	Attributable to owners of the Company										
	Share capital HK$'000 *(note 33)*	Share premium* HK$'000	Share-based compensation reserve* HK$'000 *(note 35)*	Convertible notes reserve* HK$'000 *(note 32)*	Statutory reserve fund* HK$'000 *(note 34)*	Exchange fluctuation reserve* HK$'000	Other reserve* HK$'000	Accumulated losses* HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 April 2017	543,445	229,394	24,367	67,073	9,934	(34,902)	(11,458)	(318,989)	508,864	45,411	554,275
Profit for the year	–	–	–	–	–	–	–	16,730	16,730	560	17,290
Other comprehensive income for the year:											
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	66,859	–	–	66,859	4,876	71,735
Total comprehensive income for the year	–	–	–	–	–	66,859	–	16,730	83,589	5,436	89,025
Issue of shares	46,000	–	–	–	–	–	–	–	46,000	–	46,000
Share issue expenses	–	(983)	–	–	–	–	–	–	(983)	–	(983)
Exercise of share options	1,100	365	(354)	–	–	–	–	–	1,111	–	1,111
Lapse of share options	–	–	(2,045)	–	–	–	–	2,045	–	–	–
Conversion of convertible notes	150,000	(82,927)	–	(67,073)	–	–	–	–	–	–	–
Transferred from retained profits	–	–	–	–	3,070	–	–	(3,070)	–	–	–
At 31 March 2018	740,545	145,849	21,968	–	13,004	31,957	(11,458)	(303,284)	638,581	50,847	689,428

* *These reserve accounts comprise the consolidated reserves as at 31 March 2019 and 31 March 2018 in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**35,404**	39,039
Adjustments for:			
Bank interest income	*5*	**(238)**	(234)
Write-off of other receivables	*6*	**4,985**	–
Write back of other payables	*5*	**(753)**	–
Share of profits of an associate		**(139)**	(19)
Gain on disposal of investment properties	*5*	**(2,446)**	–
Gain on disposal of property, plant and equipment, net	*5*	**(95)**	(106)
Loss on disposal of a subsidiary	*6*	**824**	–
Loss on disposal of an associate	*6*	**2,149**	–
Finance costs	*7*	**5,387**	15,754
Depreciation on property, plant and equipment	*6*	**10,677**	9,957
Depreciation on investment properties	*6*	**227**	307
Amortisation of cemetery assets	*6*	**7,556**	6,444
Amortisation of intangible assets	*6*	**2,821**	3,071
Fair value gain of the derivative component of convertible bonds	*5*	**–**	(1,000)
Operating profit before working capital change		**66,359**	73,213
Increase in cemetery assets and inventories		**(11,683)**	(33,744)
Decrease in trade receivables		**583**	1,088
Decrease in prepayments, deposits and other receivables		**4,914**	17,195
Increase/(Decrease) in trade payables		**6,535**	(21,968)
Decrease in other payables and accruals and deferred income		**(6,602)**	(5,495)
Decrease in contract liabilities		**(864)**	–
Cash generated from operations		**59,242**	30,289
Interest paid		**(18,348)**	(27,172)
Income tax paid	*37*	**(12,442)**	(10,069)
Net cash flows generated from/(used in) operating activities		**28,452**	(6,952)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**238**	234
Purchases of property, plant and equipment		**(8,304)**	(27,068)
Proceeds from disposals of property, plant and equipment		**120**	726
Proceeds from disposals of investment properties		**2,446**	–
Net cash inflow from disposal of a subsidiary and an associate	*36*	**1,739**	–
Refund of deposits for acquisition of a subsidiary		**–**	43,682
Net cash flows (used in)/generated from investing activities		**(3,761)**	17,574

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*33(c)*	**–**	46,000
Share issue expenses		**–**	(983)
Exercise of share options	*33(b)*	**–**	1,111
New bank and other borrowings	*37*	**17,487**	156,162
Repayments of bank and other borrowings	*37*	**(54,118)**	(222,824)
Repayment of convertible bonds	*37*	**–**	(48,477)
Increase/(Decrease) in amounts due to non-controlling shareholders	*37*	**1,964**	(7,757)
Dividend paid to non-controlling shareholder	*37*	**(378)**	–
Net cash flows used in financing activities		**(35,045)**	(76,768)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,354)**	(66,146)
Cash and cash equivalents at beginning of year		**47,836**	110,140
Effect of foreign exchange rate changes, net		**(2,483)**	3,842
CASH AND CASH EQUIVALENTS AT END OF YEAR		**34,999**	47,836
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*24*	**34,999**	47,836

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 Room 1215, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out as below. The Company and its subsidiaries' (collectively referred as the "Group") principal places of business are in Hong Kong and the People's Republic of China (the "PRC").

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	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	Hong Kong	HK$1	–	100%	Investment holding
Grand Elegant Limited	Hong Kong	HK$1	–	100%	Group's administration
Anxian Yuan (HK) Limited	Hong Kong	HK$1	–	100%	Investment holding

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	
浙江安賢陵園有限責任公司* (Zhejiang Anxian Yuan Company Limited) ("Zhejiang Anxian Yuan")	the PRC/Mainland China	Renminbi ("RMB") 85,000,000	–	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")	the PRC/Mainland China	US$2,000,000	–	100%	Cemetery business
安賢園(浙江)投資管理有限公司* (Anxian Yuan (Zhejiang) Investment Management Company Limited) ("Anxian Yuan (Zhejiang)") (Formerly known as 安賢園(上海)陵園 投資管理有限公司 (Anxian Yuan (Shanghai) Cemeteries Investment Management Company Limited))	the 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")	the PRC/Mainland China	RMB10,000	–	60%	Cemetery business

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	
杭州好樂天禮儀服務有限公司*# (Hangzhou Haoletian Etiquette Services Co., Ltd.) ("Hangzhou Haoletian")	the PRC/Mainland China	RMB15,000,000	–	100%	Cemetery business
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")	the 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")	the PRC/Mainland China	RMB50,000,000	–	80%	Cemetery business

* Zhong Fu Yuan Lin, Anxian Yuan (Zhejiang), Hangzhou Haoletian, Zhejiang Anxian Yuan, Yin Chuan Fu Shou Yuan, Zunyi Dashenshan and Hangzhou Anxian Yuan Stone are registered under PRC law.

Hangzhou Haoletian was disposed of on 31 January 2019.

Anxian Yuan China Investments Limited was deregistered on 15 March 2019.

Promising Sense Limited was struck off on 1 May 2019.

Hangzhou Anxian Yuan Stone was deregistered on 21 May 2019.

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.

On 31 January 2019, the Group effectively disposed of (i) 100% equity interests in Hangzhou Haoletian, a wholly owned subsidiary of the Group and (ii) 35% equity interests in Hangzhou Anbaishi Electronic Commerce Limited ("Hangzhou Anbaishi"), an associate of the Group to an independent third party. Further details are set out in note 36. Except for the above, there were no significant changes in the Group's operations during the year.

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 ("Int")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These financial statements have been prepared under historical cost convention, except for equity investments which were stated at fair value as explained in the accounting policies set out in note 2.4.

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

These financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2018.

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 15	*Revenue from Contracts with Customers (Clarifications to HKFRS 15)*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(a) HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(a) HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies would be applied to the Group's financial assets as follows:

At amortised cost	These are subsequently measured using effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
At FVOCI (equity instruments)	These are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not re-classified to profit or loss.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(a) HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original classification and measurement categories under HKAS 39 and the new classification and measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 31 March 2018 under HKAS 39	Carrying amount as at 1 April 2018 under HKFRS 9
			HK$'000	HK$'000
Available-for-sale investments	Available-for-sale financial assets *(note 2.2(a)(i)(A))*	Equity investments at FVOCI	2,496	2,496
Trade receivables	Loans and receivables *(note 2.2(a)(ii))*	At amortised cost	1,559	1,559
Deposits and other receivables	Loans and receivables *(note 2.2(a)(ii))*	At amortised cost	10,075	10,075
Cash and cash equivalents	Loans and receivables *(note 2.2(a)(ii))*	At amortised cost	47,836	47,836

(A) As at 1 April 2018, investment in equity securities of HK$2,496,000 that was previously classified as available-for-sale investments at cost under HKAS 39 have been designated at the date of initial application as equity investments at FVOCI upon the adoption of HKFRS 9. Unlike HKAS 39, accumulated fair value reserve related to these investments is not reclassified to profit or loss. The fair value of the equity investments as at 1 April 2018, estimated by the directors of the Company, is approximately to HK$2,496,000. Details of the fair value measurement are set out in note 18.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables and other financial assets at amortised cost, earlier than HKAS 39.

Under HKFRS 9, loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(a) HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

The Group's financial assets which are subject to the new ECLs model include trade receivables, deposits and other receivables and cash and cash equivalents. The Group is required to revise its impairment methodology under HKFRS 9 for these financial assets.

ECLs are a probability-weighted estimate of credit losses and are measured as the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other financial assets at amortised cost are measured as 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(a) HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECLs model

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises a lifetime ECLs for trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Other financial assets at amortised cost of the Group includes deposits and other receivables and cash and cash equivalents. Since there is no increase in credit risk, the loss allowance recognised during the year was therefore limited to 12-month ECLs. Management considers the probability of default is low on deposits and other receivables since the counterparties are of good credit quality and no historical default is noted. Besides, management considers the probability of default is low on cash and cash equivalents since they are placed at financial institutions with good credit rating. The Group has assessed and concluded that impact of ECLs on trade receivables, deposits and other receivables, and cash and cash equivalents are insignificant as at 1 April 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from adoption of HKFRS 9, if any, are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

– The determination of the business model within which a financial asset is held; and

– The designation of certain investments in equity investments not held for trading as at FVOCI.

(b) HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(b) HKFRS 15 – Revenue from Contracts with Customers (Continued)

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has adopted HKFRS 15 using cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for 2018 is not restated.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(b) HKFRS 15 – Revenue from Contracts with Customers (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Notes	**Product/service**	**Nature of the goods or services and satisfaction of performance obligations**	**Nature of change in accounting policy and impact on 1 April 2018**
(a)	Sales of tombs and niches (i.e. contracts with multiple performance obligations, including allocation of transaction price)	Customers obtain control of the tombs and niches when the right to use the tombs and niches has passed. Revenue is thus recognised at that point in time. For contracts that contain more than one performance obligation (sales of tombs and niches together with provision of cemetery management services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.	HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue recognition.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(b) HKFRS 15 – Revenue from Contracts with Customers (Continued)

Notes	Product/service	Nature of the goods or services and satisfaction of performance obligations	Nature of change in accounting policy and impact on 1 April 2018
(b)	Provision of burial services	Revenue is recognised over time as those services are provided.	HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue recognition.
(c)	Provision of cemetery management services	Revenue from such services which are bundled with the sales of tombs and niches set out in note (a) above is recognised over time based on the allocated transaction price and amortised on a straight line basis over the contract terms. Cemetery management service fee separately billed after the expiration of a stated period set out in sales contracts of tombs and niches is recognised over time on a straight line basis over the contract terms.	HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue recognition.
(d)	Sales of funeral supplies	Customers obtain control of the funeral supplies when they are delivered to and has been accepted by the customers being when control of funeral supplies have passed. Revenue is thus recognised upon when the customers accepted the funeral supplies.	HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue recognition.

Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset. No contract asset is recognised upon transition and at the end of the reporting period.

The transition to HKFRS 15 has no material impact on accumulated losses at 1 April 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of the initial application (1 April 2018). Line items that were not affected by the changes have not been included.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(b) HKFRS 15 – Revenue from Contracts with Customers (Continued)

	HKAS 18 – carrying amount at 31 March 2018	Reclassifications	HKFRS 15 – carrying amount at 1 April 2018
	HK$'000	HK$'000	HK$'000
Current liabilities			
Deferred income	3,491	(3,491)	–
Other payables and accruals	41,958	(23,569)	18,389
Contract liabilities*	–	27,060	27,060
Non-current liabilities			
Deferred income	14,738	(14,738)	–
Contract liabilities*	–	14,738	14,738

* Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue, or when the Group receives consideration from a customer.

The following table summarises the impact of applying HKFRS 15 on the Group's consolidated statement of financial position at 31 March 2019 and its consolidated statement of cash flows for the year then ended for each of the line items affected. Line items that were not affected by the changes have not been included. There is no impact of applying HKFRS 15 on the consolidated statement of profit or loss for the current year.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(b) HKFRS 15 – Revenue from Contracts with Customers (Continued)

	Without adoption of HKFRS 15	Reclassifications under HKFRS 15	As reported
	HK$'000	HK$'000	HK$'000
As at 31 March 2019			
As extracted from consolidated statement of financial position:			
Current liabilities			
Deferred income	3,646	(3,646)	–
Other payables and accruals	27,553	(20,038)	7,515
Contract liabilities	–	23,684	23,684
Non-current liabilities			
Deferred income	17,250	(17,250)	–
Contract liabilities	–	17,250	17,250
For the year ended 31 March 2019			
As extracted from consolidated statement of cash flows:			
Operating profit before working capital changes:			
Decrease in other payables and accruals and deferred income	(7,466)	864	(6,602)
Increase in contract liabilities	–	(864)	(864)

(c) Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on the financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(d) Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this year.

(e) Amendments to HKAS 40 – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The adoption of these amendments has no impact on the financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

(f) HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

This provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no significant impact on the financial statements as the Group has not paid or received any consideration, in advance, in a foreign currency.

2.3 NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	*Leases*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKAS 12, Income Taxes*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKAS 23, Borrowing Costs*[1]
Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]

Notes:

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

2 Effective for annual periods beginning on or after 1 January 2020.

Further information about these HKFRSs that are expected to be applicable to the Group is described below. The actual impacts upon adoption could be different to these below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

2.3 NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

HKFRS 16 – Leases (Continued)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Total operating lease commitment of the Group in respect of land and buildings as at 31 March 2019 amounted to HK$4,321,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use assets and a corresponding liability in respect of all these leases unless they quality for low value or short-term leases upon the application of HKFRS 16. Right-of-use assets and lease liabilities of HK$3,682,000 and HK$3,682,000 are expected to be recorded in the consolidated statement of financial position as at 1 April 2019. In the consolidated statement of profit or loss, as the leases will be capitalised in future, operating lease expenses will no longer be recorded for these leases while depreciation and interest expenses will increase due to the depreciation charge on the right-of-use asset and the interest expenses on the lease liability. In addition, more quantitative and qualitative disclosure about the lease will be made following the requirements of HKFRS 16.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

2.3 NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 3 – Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The Group has already commenced a preliminary assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The directors anticipate that the application of new or amendments to HKFRSs and interpretation except for HKFRS 16 as stated above, will have no material impact on the Group's financial performance and positions and/or the disclosures to the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company 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 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.

Business combinations are accounted for using 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 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.

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 interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

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 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.

In the statement of the financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Investment in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment in associates (Continued)

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.

(d) Goodwill

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 CGUs, or groups of CGUs, 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 CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) 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 CGU (or group of CGUs) 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 CGU retained.

(e) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment and depreciation (Continued)

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

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

Buildings	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.

(f) 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment properties (Continued)

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

(g) 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 tombs and niches sold.

(h) 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 CGU'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 CGU 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 consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

(i) 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 recoverable amount prior to the commencement of development of the cemetery. Amortisation is charged to the consolidated statement of profit or loss on the straight-line method over the shorter of the remaining lease term of land and the useful life.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Cemetery assets (Continued)

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 proportionate carrying amounts of cemetery assets are transferred to inventories.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories mainly comprising cemetery assets developed with the intention of sale in the ordinary course of business of the Group and tombstone which are determined on the weighted average cost method and first-in first-out method respectively 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.

(k) Financial instruments (applied from 1 April 2018)

(i) Financial assets

Initial recognition and measurement

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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 market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (applied from 1 April 2018) (Continued)

(i) Financial assets (Continued)

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as fair value through profit or loss, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Impairment of financial assets

The Group recognises loss allowances for ECLs on trade receivables and other financial assets measured at amortised cost. ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (applied from 1 April 2018) (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

For other financial assets measured at amortised cost, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); and (2) the financial asset is more than 90 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit impaired financial assets, interest income is calculated based on the gross carrying amount.

(ii) 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 payables, other payables and accurals, amounts due to non-controlling shareholders and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (applied from 1 April 2018) (Continued)

(ii) Financial liabilities (Continued)

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 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 determined in accordance with the expected credit loss model under HKFRS 9 Financial instruments at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(iii) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (applied from 1 April 2018) (Continued)

(iv) Derecognition (Continued)

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(l) Financial instruments (applied until 31 March 2018)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (applied until 31 March 2018) (Continued)

(i) Financial assets (Continued)

Subsequent measurement (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (applied until 31 March 2018) (Continued)

(i) Financial assets (Continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (applied until 31 March 2018) (Continued)

(i) Financial assets (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 consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial instruments (applied until 31 March 2018) (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

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 consolidated 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.

(ii) 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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (applied until 31 March 2018) (Continued)

(ii) Financial liabilities (Continued)

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.

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.

(iii) 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (applied until 31 March 2018) (Continued)

(iv) 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.

(v) 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.

(vi) 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. On 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.

(m) 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 short-term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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 and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (Continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (applied from 1 April 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (applied from 1 April 2018) (Continued)

Various sources of revenue of the Group is recognised on the following bases:

(a) Sales of tombs and niches and funeral supplies (i.e. contracts with multiple performance obligations, including allocation of transaction price)

Customers obtain control of the tombs and niches/funeral supplies when they are delivered to and have been accepted by the customers being when the right to use the tombs and niches/control of funeral supplies has passed. Revenue is thus recognised at that point in time.

For contracts that contain more than one performance obligation (sales of tombs and niches together with provision of cemetery management services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer;

(b) Income from burial services is recognised over time as those services are provided;

(c) Management fee income which are bundled with sales of tombs and niches set out in note (a) above is recognised over time based on the allocated transaction price and amortised on a straight line basis over the contract terms. Management fee income separately billed after the expiration of a stated period set out in the sales contracts of tombs and niches is recognised over time on straight line basis over the contract terms; and

(d) Interest income, on an accrual basis using effective interest rate 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (applied until 31 March 2018)

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 sale of tombs and niches and sales of funeral supplies is recognised when the right to use the tombs and niches or funeral supplies 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 and niches or funeral supplies;

(ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the tombs and niches or funeral supplies 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; 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.

(r) 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 is measured by reference to the fair value at the date at which they are granted.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share-based compensation (Continued)

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.

(s) 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

(u) 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.

(v) 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).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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 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 average exchange rates for the year.

(w) Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period upon the adoption of HKFRS 9 on 1 April 2018. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Fair value measurement (Continued)

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.

(x) 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person’s children and spouse or domestic partner;

(ii) children of that person’s spouse or domestic partner; and

(iii) dependents of that person or that person’s spouse or domestic partner.

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.

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.

(i) 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 CGUs 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 CGUs 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 2019 was HK$13,029,000 (2018: HK$13,948,000). Further details are set out in note 16 to the financial statements.

(ii) Useful lives of property, plant and equipment, cemetery assets and intangible assets

The Group determines the estimated useful lives and related depreciation or amortisation charges for its property, plant and equipment, cemetery assets and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment, cemetery assets and intangible assets of similar nature and functions. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will increase the depreciation or amortisation 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, cemetery assets and intangible assets are disclosed in note 2.4(e), (i) and (g) to the financial statements respectively.

(iii) 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 CGU 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 CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(iv) Impairment assessment of financial assets at amortised costs

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For other financial assets at amortised cost, measurement of ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's financial assets at amortised cost is disclosed in note 45(iii) of credit risk to the financial statements.

(v) 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 set out 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) Disaggregated revenue from external customers

	2019 HK$'000	2018 HK$'000
The PRC	**223,120**	206,609

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

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Hong Kong	**1,566**	550
The PRC	**809,775**	890,722
	811,341	891,272

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 2019 (2018: Nil).

5. REVENUE, OTHER INCOME AND GAINS

(i) Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products and services and timing of revenue recognition. The Group has only one reportable operating segment which is the cemetery business in the PRC, and the disaggregated geographic information of revenue has been set out in note 4(a).

	2019 HK$'000	2018 HK$'000
Revenue by products and services		
Sales of tombs and niches	**199,585**	183,156
Management fee income	**3,066**	2,873
Burial services	**20,163**	19,617
Sales of funeral supplies	**306**	963
	223,120	206,609
Timing of revenue recognition		
At point in time	**199,891**	184,119
Over time	**23,229**	22,490
	223,120	206,609
Other income and gains		
Gain on disposal of investment properties *(note 14)*	**2,446**	–
Gain on disposal of property, plant and equipment, net	**95**	106
Bank interest income	**238**	234
Fair value gain of the derivative component of convertible bonds *(note 31)*	**–**	1,000
Write back of other payables	**753**	–
Recovery of bad debt of other receivable	**116**	–
Exchange gains, net	**384**	–
Others	**963**	389
	4,995	1,729

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(ii) Performance obligation for contracts with customers

Sales of tombs and niches with management services (multiple performance obligations) and sales of funeral supplies

For contracts entered into with customers on sales of tombs and niches and funeral supplies, the relevant tombs and niches and funeral supplies specified in the contracts have no alternative use to the Group. Taking into consideration of the relevant legal precedent, the Group concluded that it does not have an enforceable right to payment prior to transfer of the right to use of tombs and niches to customers and the funeral supplies. Revenue from sales of tombs and niches and sales of funeral supplies is therefore recognised at a point in time when the tombs and niches/funeral supplies are transferred to customers, being at the point that the customer obtains the right to use of tombs and niches/control of funeral supplies and the Group has present right to payment and collection of the consideration is probable.

The cemetery management service is considered to be a distinct service. Transaction price is allocated between sales of tombs and niches and the management services on a relative stand-alone selling price basis. An explicit management fee will be received after the expiration of a stated period set out in sale contracts of tombs and niches. Revenue relating to the management services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight line basis over the period of service.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Provision of burial services

Burial services represented revenues from miscellaneous services such as the organisation and conducting of burial rituals, the design and landscaping of the burial sites and additional engraving fee. Revenue relating to these burial services is recognised over time.

6. PROFIT BEFORE INCOME TAX

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

	2019 HK$'000	2018 HK$'000
Cost of inventories sold	**61,988**	36,462
Cost of services provided	**7,121**	5,709
Employee benefit expense (excluding directors' and chief executives' remuneration *(note 8)*):		
– Wages and salaries	**41,369**	37,810
Amortisation of intangible assets *(note 15)* *	**2,821**	3,071
Amortisation of cemetery assets *(note 19)* *	**7,556**	6,444
Auditor's remuneration	**800**	1,339
Depreciation:		
– Property, plant and equipment *(note 13)*	**10,677**	9,957
– Investment properties *(note 14)*	**227**	307
Write-off of other receivables	**4,985**	–
Loss on disposal of a subsidiary *(note 36)*	**824**	–
Loss on disposal of an associate *(note 36)*	**2,149**	–
Exchange losses, net	**–**	853
Minimum lease payments under operating leases	**3,725**	5,513

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Interest on interest-bearing bank and other borrowings (including convertible bonds)	**18,348**	27,172
Less: Interest capitalised	**(12,961)**	(11,418)
	5,387	15,754

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.72% per annum to expenditure on qualifying assets.

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:

	2019 HK$'000	2018 HK$'000
Fees	**357**	435
Other emoluments:		
Salaries, allowances and benefits in kind	**4,107**	5,410
Performance related bonuses	**318**	450
Pension scheme contributions	**36**	63
	4,461	5,923
	4,818	6,358

(a) Independent non-executive directors

	Notes	**Salaries, allowances and benefits in kind HK$'000**	**Performance related bonuses HK$'000**	**Total remuneration HK$'000**
2019				
Mr. Chan Koon Yung		**120**	**10**	**130**
Mr. Lai Chun Yu	*(iv)*	**50**	**–**	**50**
Mr. Lum Pak Sum		**120**	**10**	**130**
Mr. Yao Hong	*(v)*	**42**	**5**	**47**
		332	**25**	**357**

	Notes	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Total remuneration HK$'000
2018				
Mr. Chan Koon Yung		120	10	130
Mr. Li Xigang	*(i)*	60	–	60
Mr. Lai Chun Yu		120	10	130
Mr. Lum Pak Sum	*(ii)*	105	10	115
		405	30	435

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

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

(b) Executive directors and non-executive directors

	Notes	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019					
Executive directors:					
Mr. Shi Hua		**1,717**	**130**	**–**	**1,847**
Mr. Shi Jun		**1,070**	**78**	**18**	**1,166**
Mr. Law Fei Shing		**1,200**	**100**	**18**	**1,318**
		3,987	**308**	**36**	**4,331**
Non-executive director:					
Mr. Wang Hongjie		**120**	**10**	**–**	**130**
		120	**10**	**–**	**130**
		4,107	**318**	**36**	**4,461**
2018					
Executive directors:					
Mr. Shi Hua		1,560	130	9	1,699
Mr. Shi Jun		1,320	110	18	1,448
Mr. Law Fei Shing		1,200	100	18	1,318
Ms. Shen Mingzhen	*(iii)*	1,150	100	18	1,268
		5,230	440	63	5,733
Non-executive directors:					
Mr. Cheng Gang	*(i)*	60	–	–	60
Mr. Wang Hongjie		120	10	–	130
		180	10	–	190
		5,410	450	63	5,923

Notes:

(i) Resigned on 30 September 2017.

(ii) Appointed on 15 May 2017.

(iii) Resigned on 15 March 2018.

(iv) Retired on 28 August 2018.

(v) Appointed on 26 November 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2018: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2018: one) highest paid employees who are neither an executive director nor chief executive are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**1,268**	815
Performance related bonuses	**86**	63
Pension scheme contributions	**28**	14
	1,382	892

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

	Number of employees	
	2019	2018
HK$1 to HK$1,000,000	**2**	1

10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries 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 (2018: Nil).

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 (2018: Nil).

Provision for the PRC current income tax is based on the statutory rate of 25% (2018: 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:

	2019 **HK$'000**	2018 HK$'000
Current tax		
Income tax in the PRC for the year	**19,849**	17,601
Deferred tax *(note 20)*	**(1,483)**	4,148
Total income tax expenses for the year	**18,366**	21,749

10. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the income tax expense applicable to profit before income 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:

	2019 **HK$'000**	2018 HK$'000
Profit before income tax	**35,404**	39,039
Tax at the statutory tax rate of 25% (2018: 25%)	**8,851**	9,760
Effect of withholding tax on distributable profit of the Group's PRC subsidiaries	**(2,227)**	2,063
Tax effect of different taxation rates in other tax jurisdictions	**(354)**	3,188
Tax effect of non-taxable income	**(13)**	(165)
Tax effect of non-deductible expenses	**6,116**	4,071
Tax effect of unrecognised tax losses from prior years utilised	**–**	(976)
Tax effect of tax losses not recognised	**5,877**	3,265
Under-provision in respect of prior years	**116**	543
Income tax expenses	**18,366**	21,749

11. DIVIDEND

There was no proposed final dividend for the year (2018: 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 OWNERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company over the weighted average number of ordinary shares of 740,545,000 (2018: 708,186,000 (restated)) in issue during the year.

There was no potential dilutive ordinary shares outstanding during the year ended 31 March 2019 and hence the diluted earnings per share is the same as basic earnings per share.

For the year ended 31 March 2018, the calculation of the diluted earnings per share was based on the profit for the year attributable to owners of the Company, adjusted to reflect the interest on the convertible bonds and the fair value gain on the derivative component of convertible bonds over 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 presented for the year ended 31 March 2018 as the impact of convertible bonds had an anti-dilutive effect on the basic earnings per share amounts presented.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**17,082**	16,730
Interest on convertible bonds *(note 31)*	**–**	2,873
Less: Fair value gain of the derivative component of convertible bonds *(note 5)*	**–**	(1,000)
Profit attributable to owners of the Company before the effect of convertible bonds	**17,082**	18,603*

	Number of shares 2019 ('000)	Number of shares 2018 ('000) (restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**740,545**	708,186
Effect of dilution – weighted average number ordinary shares: Convertible bonds	**–**	4,208
	740,545#	712,394#*

\# The shares consolidation pursuant to the shareholders' resolutions dated 29 August 2018 is adjusted in the weighted average number of ordinary shares in issue as if the share consolidation had occurred at 1 April 2017, the beginning of the earliest period reported.

* Because the diluted earnings per share was increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year ended 31 March 2018 and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share was based on the profit attributable to owners of the Company for the year ended 31 March 2018 of HK$16,730,000 over the weighted average number of ordinary shares of 708,186,000 in issue during the year ended 31 March 2018.

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 1 April 2017	99,633	6,406	12,248	1,099	119,386
Additions	22,323	4,401	328	16	27,068
Disposals	(378)	–	(1,920)	–	(2,298)
Exchange realignment	10,761	639	1,152	63	12,615
At 31 March 2018 and 1 April 2018	**132,339**	**11,446**	**11,808**	**1,178**	**156,771**
Additions	**4,380**	**623**	**2,984**	**317**	**8,304**
Disposal of a subsidiary	**–**	**(119)**	**(233)**	**–**	**(352)**
Disposals	**–**	**(307)**	**(2,530)**	**(517)**	**(3,354)**
Exchange realignment	**(8,724)**	**(721)**	**(673)**	**(44)**	**(10,162)**
At 31 March 2019	**127,995**	**10,922**	**11,356**	**934**	**151,207**
Accumulated depreciation:					
At 1 April 2017	(10,883)	(2,673)	(6,202)	(987)	(20,745)
Charged for the year *(note 6)*	(6,189)	(1,779)	(1,949)	(40)	(9,957)
Disposals	270	–	1,409	–	1,679
Exchange realignment	(1,515)	(340)	(670)	(51)	(2,576)
At 31 March 2018 and 1 April 2018	**(18,317)**	**(4,792)**	**(7,412)**	**(1,078)**	**(31,599)**
Charged for the year *(note 6)*	**(6,990)**	**(1,224)**	**(2,343)**	**(120)**	**(10,677)**
Disposal of a subsidiary	**–**	**93**	**170**	**–**	**263**
Disposals	**–**	**307**	**2,498**	**517**	**3,322**
Exchange realignment	**1,201**	**286**	**414**	**37**	**1,938**
At 31 March 2019	**(24,106)**	**(5,330)**	**(6,673)**	**(644)**	**(36,753)**
Net carrying amount:					
At 31 March 2018	114,022	6,654	4,396	100	125,172
At 31 March 2019	**103,889**	**5,592**	**4,683**	**290**	**114,454**

As at 31 March 2019, certain property, plant and equipment with an aggregate net carrying amount of HK$18,402,000 (2018: Nil) were pledged for certain interest-bearing bank and other borrowings (note 29(e) and (f)).

14. INVESTMENT PROPERTIES

	HK$'000
Cost:	
At 1 April 2017	2,365
Exchange realignment	255
At 31 March 2018 and 1 April 2018	**2,620**
Disposal	**(2,448)**
Exchange realignment	**(172)**
At 31 March 2019	**–**
Accumulated depreciation:	
At 1 April 2017	(1,853)
Charged for the year *(note 6)*	(307)
Exchange realignment	(217)
At 31 March 2018 and 1 April 2018	**(2,377)**
Charged for the year *(note 6)*	**(227)**
Disposal	**2,448**
Exchange realignment	**156**
At 31 March 2019	**–**
Net carrying amount:	
At 31 March 2018	243
At 31 March 2019	**–**

As at 31 March 2018, investment properties with a carrying amount of HK$243,000 represented certain restricted properties situated in the PRC which was not allowed to be traded in the open market until the PRC local government seizes the land on which the investment properties are situated. The estimated compensation payable to the Group would be RMB2,100,000, equivalent to HK$2,620,000. On 31 December 2018, pursuant to a compensation agreement entered into between the PRC local government and the Group, the local government agreed to compensate the Group for seizing the land with the amount of RMB2,100,000 (equivalent to HK$2,446,000) (note 5). The investment properties have been returned to local authorities and have no carrying amount as at 31 March 2019 accordingly.

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

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

	Fair value measurement as at 31 March 2018 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2)** HK$'000	**Significant unobservable inputs (Level 3)** HK$'000	**Total** HK$'000
Recurring fair value measurement for:				
Investment properties	–	–	2,620	2,620

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

15. INTANGIBLE ASSETS

	HK$'000
Cost:	
At 1 April 2017	458,371
Exchange realignment	49,506
At 31 March 2018 and 1 April 2018	**507,877**
Exchange realignment	**(33,476)**
At 31 March 2019	**474,401**
Accumulated amortisation:	
At 1 April 2017	(16,932)
Charged for the year *(note 6)*	(3,071)
Exchange realignment	(1,997)
At 31 March 2018 and 1 April 2018	**(22,000)**
Charged for the year *(note 6)*	**(2,821)**
Exchange realignment	**1,448**
At 31 March 2019	**(23,373)**
Net carrying amount:	
At 31 March 2018	485,877
At 31 March 2019	**451,028**

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

16. GOODWILL

	HK$'000
Cost:	
At 1 April 2017	12,589
Exchange realignment	1,359
At 31 March 2018 and 1 April 2018	**13,948**
Exchange realignment	**(919)**
At 31 March 2019	**13,029**
Accumulated impairment:	
At 31 March 2018 and 2019	**–**
Net carrying amount:	
At 31 March 2018	13,948
At 31 March 2019	**13,029**

The carrying amounts of goodwill are as follows:

	2019 **HK$'000**	2018 HK$'000
Yin Chuan Fu Shou Yuan	**13,029**	13,948

The impairment test was based on the recoverable amount of the CGU. During the year ended 31 March 2019, management of the Group determines that there is no impairment (2018: Nil) of the above CGU containing goodwill.

The recoverable amount of the above CGU is determined based on a value-in-use calculation performed by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuer. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate 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 (2018: five-year period) and a pre-tax discount rate of 17% (2018: 17%). Cash flows beyond that five-year period have been extrapolated using declining growth rates until a steady 3% (2018: 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

	2019 HK$'000	2018 HK$'000
Share of net assets	–	4,679
Goodwill on acquisition	–	85
	–	4,764

Particulars of an associate as at 31 March 2018 and up to the date of disposal 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	Ordinary shares	the PRC/Mainland China	35%	E-commerce and sale of funeral products

Hangzhou Anbaishi, which was considered a material associate of the Group, is a strategic partner of the Group engaged in the e-commerce and sale of funeral products. On 31 January 2019 (the "Disposal Date"), the Group completed the disposal of its 35% equity interests in Hangzhou Anbaishi to an independent third party. Loss on disposal arising from the above transaction was HK$2,149,000. Details are set out in note 36.

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

	2018 HK$'000
Current assets	13,369
Non-current assets	–
Current liabilities	–
Net assets, excluding goodwill	13,369

Reconciliation to the Group's investment in the associate up to the Disposal Date:

	At Disposal Date HK$'000	2018 HK$'000
Proportion of the Group's ownership	35%	35%
Group's share of net assets of the associate, excluding goodwill	4,526	4,679
Goodwill on acquisition	80	85
Carrying amount of the investment	4,606	4,764
Revenue	1,017	89
Profit for the period/year	397	55
Total comprehensive income for the period/year	397	55

18. EQUITY INVESTMENTS/AVAILABLE-FOR-SALE INVESTMENTS

	2019 **HK$'000**	2018 HK$'000
Unlisted equity investments, at fair value	**2,332**	–
Unlisted equity investments, at cost	**–**	2,496

As at 31 March 2018, 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. Upon the adoption of HKFRS 9 as defined in note 2.2(a)(i)(A), the unlisted equity securities was reclassified from available-for-sale investments of HK$2,496,000 as at 1 April 2018 to financial assets at fair value through other comprehensive income.

As at 31 March 2018, the above unlisted equity investments with a carrying amount of HK$2,496,000 were stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors are of the opinion that their fair value could not be measured reliably. The Group did not intend to dispose of them in the near future.

As at 1 April 2018 and 31 March 2019, the fair value of the equity investments is estimated by the directors of the Company by using market approach with the followings key parameters:

	31 March 2019	**1 April 2018**
Price earnings ratio	**32%**	44%
Discount for lack of control	**25%**	25%
Discount for lack of marketability	**25%**	25%

19. CEMETERY ASSETS

	Land costs HK$'000	Landscape facilities HK$'000	Total HK$'000
Cost:			
At 1 April 2017	25,190	232,450	257,640
Additions	–	21,312	21,312
Transferred to inventories	(569)	(8,291)	(8,860)
Exchange realignment	2,721	26,000	28,721
At 31 March 2018 and 1 April 2018	**27,342**	**271,471**	**298,813**
Additions	**–**	**4,970**	**4,970**
Transferred to inventories	**(1,973)**	**(6,799)**	**(8,772)**
Exchange realignment	**(1,802)**	**(18,426)**	**(20,228)**
At 31 March 2019	**23,567**	**251,216**	**274,783**
Accumulated amortisation:			
At 1 April 2017	(547)	(27,236)	(27,783)
Charged for the year *(note 6)*	(513)	(5,931)	(6,444)
Eliminated on transfers	95	174	269
Exchange realignment	(89)	(3,498)	(3,587)
At 31 March 2018 and 1 April 2018	**(1,054)**	**(36,491)**	**(37,545)**
Charged for the year *(note 6)*	**(489)**	**(7,067)**	**(7,556)**
Eliminated on transfers	**278**	**376**	**654**
Exchange realignment	**68**	**2,426**	**2,494**
At 31 March 2019	**(1,197)**	**(40,756)**	**(41,953)**
Net carrying amount:			
At 31 March 2018	26,288	234,980	261,268
At 31 March 2019	**22,370**	**210,460**	**232,830**

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.

20. DEFERRED TAX

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 2017	(108,655)	(4,293)	(7,677)	(120,625)
Deferred tax credited/ (charged) to profit or loss during the year *(note 10)*	1,014	(2,063)	(2,934)	(3,983)
Exchange realignment	(11,679)	–	–	(11,679)
At 31 March 2018 and 1 April 2018	**(119,320)**	**(6,356)**	**(10,611)**	**(136,287)**
Deferred tax credited/ (charged) to profit or loss during the year *(note 10)*	**971**	**2,227**	**(954)**	**2,244**
Exchange realignment	**7,867**	**421**	**–**	**8,288**
At 31 March 2019	**(110,482)**	**(3,708)**	**(11,565)**	**(125,755)**

20. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Deferred income/ Contract liabilities and others HK$'000	Decelerated tax amortisation HK$'000	Impairment loss on investment properties HK$'000	Total HK$'000
At 1 April 2017	3,533	768	535	4,836
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	165	(330)	–	(165)
Exchange realignment	388	65	57	510
At 31 March 2018 and 1 April 2018	**4,086**	**503**	**592**	**5,181**
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	**120**	**(328)**	**(553)**	**(761)**
Exchange realignment	**(270)**	**(34)**	**(39)**	**(343)**
At 31 March 2019	**3,936**	**141**	**–**	**4,077**

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

	2019 HK$'000	2018 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(121,678)**	(131,106)

The Group has tax losses arising in Hong Kong of HK$168,081,000 as at 31 March 2019 (2018: HK$154,582,000), 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.

20. DEFERRED TAX (CONTINUED)

Deferred tax assets (Continued)

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

	2019	2018
	HK$'000	HK$'000
Tax losses	**185,978**	159,629

Deferred tax assets have not been recognised in respect of tax losses amounting to HK$185,978,000 (2018: HK$159,629,000) as at 31 March 2019. The tax losses amounting to HK$17,897,000 as at 31 March 2019 (2018: HK$5,047,000) will expire within the next 5 years for offsetting against future taxable profits. The tax losses of HK$168,081,000 (2018: HK$154,582,000) as at 31 March 2019 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, 5% or 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007.

The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC 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 the PRC. 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 the PRC for which deferred tax liabilities have not been recognised approximate to HK$66,115,000 (2018: HK$63,560,000) in aggregate.

21. INVENTORIES

	2019	2018
	HK$'000	HK$'000
Inventories		
– Tombs	**245,670**	235,351

As at 31 March 2019, inventories of approximately HK$178,457,000 (2018: HK$195,237,000) were expected to be recovered in more than one year.

22. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**912**	1,559

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 loss allowance, is as follows:

	2019 HK$'000	2018 HK$'000
Within 60 days	**121**	777
61 to 90 days	**–**	401
91 to 180 days	**–**	381
181 to 365 days	**791**	–
	912	1,559

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

	2019 HK$'000	2018 HK$'000
Neither past due nor impaired	**912**	1,559

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 45(iii).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	**2,597**	3,515
Deposits and other receivables	**859**	85,601
	3,456	89,116
Less: Impairment loss allowance	**–**	(75,526)
	3,456	13,590

As at 31 March 2017, other receivables with a carrying amount of HK$39,424,000 (equivalent to RMB35,000,000) 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 were of the view that impairment provision was not required as a refund of the earnest money was 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 Anxian Yuan (Zhejiang), a subsidiary of the Group, in which the 60% equity interest would have to return to the shareholders of Jining Yongan if the earnest money was refunded to the Group. In the opinion of the directors, such equity shares were only for guarantee purpose. The latter was 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 was non-interest-bearing.

As at 31 March 2017, other receivables with a carrying amount of HK$10,138,000 (equivalent to RMB9,000,000) represented a loan provided to one of the shareholders of Jining Yongan. The loan was interest-free, repayable on demand, and secured by the 60% of the equity interest of Jiing Yongan transferred to Anxian Yuan (Zhejiang) as set out above.

During the year ended 31 March 2018, an amount of HK$49,920,000 (equivalent to RMB40,000,000) had been received. As at 31 March 2019, in the opinion of the directors, the Group cannot chase back the remaining balance successfully. Since there is no reasonable expectation of recovering the contractual cash flows, the remaining balance of HK$4,659,000 (equivalent to RMB4,000,000) was written off.

For the details of impairment loss allowance as at 31 March 2018, please refer to the annual report for the year ended 31 March 2014.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from deposits and other receivables are set out in note 45(iii).

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

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.

24. CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents:		
Cash and bank balances	**34,999**	47,836

As at 31 March 2019, total of cash and cash equivalents of the Group denominated in RMB amounted to HK$31,597,000 (2018: HK$32,194,000). The RMB is not freely convertible into other currencies, however, under the PRC'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 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 the PRC.

25. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**33,953**	29,817

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

	2019 HK$'000	2018 HK$'000
Within 90 days	**18,688**	5,289
91 to 180 days	**47**	6,248
181 to 365 days	**334**	9,521
Over 1 year	**14,884**	8,759
	33,953	29,817

Trade payables are non-interest-bearing and are normally settled on terms ranging from 30 days to 365 days.

26. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Accruals	**4,734**	8,355
Deposits received	**52**	23,569
Other payables	**2,729**	10,034
	7,515	41,958

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

The Group has initially applied HKFRS 15 using cumulative effect method and adjusted the opening balance at 1 April 2018. Upon the adoption of HKFRS 15, amount of HK$23,569,000 previously included as "Deposits received" under "Other payables and accruals" have been reclassified to "Contract liabilities" (note 28) (note 2.2(b)).

27. DEFERRED INCOME

	HK$'000
At 1 April 2017	15,812
Additions during the year	3,740
Released to profit or loss	(2,873)
Exchange realignment	1,550
At 31 March 2018	18,229

	2018 HK$'000
Analysed into:	
Current	3,491
Non-current	14,738
	18,229

The balances represented management fees received in advance in respect of tombs and niches sold. Management fee receipts in advance was credited to revenue on the straight-line basis over the contractual periods.

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 April 2018. Upon the adoption of HKFRS 15, amount of HK$18,229,000 previously included as "Deferred income" have been reclassified to "Contract liabilities" (note 28) (note 2.2(b)).

28. CONTRACT LIABILITIES

	HK$'000
At 1 April 2018	41,798
Additions during the year	7,095
Released to profit or loss	(4,643)
Exchange realignment	(3,316)
At 31 March 2019	40,934

	2019 HK$'000
Analysed into:	
Current	23,684
Non-current	17,250
	40,934

Contract liabilities represents management fees received in advance in respect of tombs and niches sold of HK$20,896,000 and deposits received from sales of tombs and niches of HK$20,038,000 which remains as contract liabilities until such time as the service or production completed to date outweigh the amount received.

As at 31 March 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$40,934,000. This amount represents revenue expected to be recognised in the future. The expected timing of revenue recognition when the performance obligation is completed by the Group as at 31 March 2019 is as follows:

	2019 HK$'000
Within one year	23,684
More than one year but less than five years	8,701
Over five years	8,549
	40,934

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019		
	Effective interest rate (%)	**Repayment dates**	**HK$'000**
Current			
Bank loans			
– secured *(note (f))*	**5.24-6.53**	**September 2019**	**5,829**
Current portion of long-term bank loans – guaranteed and secured *(note (b))*	**6.13-6.47**	**October 2019**	**27,454**
Other borrowings			
– guaranteed *(note (c))*	**15.00**	**May 2019**	**30,000**
Other borrowings			
– guaranteed and secured *(note (e))*	**6.50**	**June 2019**	**11,658**
			74,941
Non-current			
Bank loans			
– guaranteed and secured *(note (b))*	**6.13-6.47**	**October 2020 – December 2023**	**137,341**
			212,282

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

	2018		
	Effective interest rate (%)	Repayment dates	HK$'000
Current			
Bank loans			
– guaranteed *(note (a))*	6.09	July 2018	6,240
Current portion of long-term bank loans – guaranteed and secured *(note (b))*	6.13-6.47	October 2018	17,635
Other borrowings			
– unsecured	9.07	August 2018	170
Other borrowings			
– guaranteed *(note (d))*	24.00	March 2020 (with repayment on demand clause)	12,480
			36,525
Non-current			
Bank loans			
– guaranteed and secured *(note (b))*	6.13-6.47	October 2019 – December 2023	176,424
Other borrowings			
– guaranteed *(note (c))*	15.00	May 2019	50,000
			226,424
			262,949

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

	2019 HK$'000	2018 HK$'000
Based on the repayment schedules and analysed into		
Bank loans repayable:		
Within one year or on demand	**33,283**	23,875
In the second year	**27,454**	29,391
In the third to fifth years, inclusive	**109,887**	147,033
	170,624	200,299
Other borrowings repayable:		
Within one year or on demand	**41,658**	12,650
In the second year	**–**	50,000
	41,658	62,650
	212,282	262,949

Notes:

(a) The balances were guaranteed by a non-controlling shareholder of a subsidiary.

(b) As at 31 March 2019, the Group's bank loans amounting to HK$164,795,000 (2018: HK$194,059,000) are secured by non-controlling shareholders' shares in subsidiaries, and buildings owned by a non-controlling shareholder, and are guaranteed by certain directors of the Company and a non-controlling shareholder of a subsidiary.

(c) The balance represents an outstanding balance of the loan provided by Excel Precise International Limited ("Excel Precise"). 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"), the director of the Company, 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 balance is guaranteed by Mr. Shi Hua, the director of the Company.

(d) The balance was guaranteed by certain directors of the Company and due in March 2020. As this loan contained a repayment on demand clause, the whole loan was classified as current liabilities accordingly as at 31 March 2018. The loan has been early repaid during the year ended 31 March 2019.

(e) The balance represent a discounted bill. It is secured by certain property, plant and equipment with the net carrying amount of HK$13,845,000 and guaranteed by a subsidiary of the Group.

(f) The balance is secured by certain property, plant and equipment with the net carrying amount of HK$4,557,000.

(g) Except for the other borrowings as set out in note (c) which are denominated in HK$, all borrowings are denominated in RMB.

30. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

As at 31 March 2019, the amounts due to non-controlling shareholders of HK$2,827,000 (2018: HK$924,000) are non-trade in nature, unsecured, interest-free and repayable on demand.

31. 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 an redemption amount of the 100% outstanding principle amount plus interest and a 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.

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

31. CONVERTIBLE BONDS (CONTINUED)

Since the conversion options embedded in the CB do not meet the definition of equity instruments of the Company, the entire convertible bonds were 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 was determined using an option pricing model and this amount was accounted for as financial liabilities at fair value through profit or loss. The host debt component was 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 was subsequently measured at amortised cost.

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.

Movement in the host debt component for the year ended 31 March 2018 was as follows:

	2018 HK$'000
Host debt component at 1 April	48,477
Interest expense *(note 12)*	2,873
Interest payable	(1,350)
Redemption of principal	(50,000)
Host debt component at 31 March	–

Interest expenses on the CB were calculated using effective interest method by applying the effective interest rate of 25.07% semi-annually to the host debt component for the year ended 31 March 2018.

Movement in the derivative component embedded in the CB for the year ended 31 March 2018 was as follows:

	2018 HK$'000
Embedded derivatives component at 1 April	1,000
Fair value gain recognised in the consolidated statement of profit or loss *(note 5)*	(1,000)
Embedded derivatives component at 31 March	–

As at 31 March 2018, the fair value of the derivative component was determined based on the valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuer, using applicable option pricing model.

32. 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 matured on the 5th anniversary of the date of issue of the CN (the "Maturity Date"). The conversion price, subject to the anti-dilution adjustments, was 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 remained outstanding on the Maturity Date should be converted automatically into the conversion shares unless such conversion would result in (1) a holder of the CN and parties acting in concert with it, taken together, would 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 was lower, or (2) the Company would be in breach of the minimum public float requirement under the Listing Rules. In such events, the maturity date of the CN would be extended for further 5 years. Any CN which remained outstanding on the extended maturity date should be converted automatically into the conversion shares. All outstanding CN which were not converted thereafter would be cancelled by the Company and fully waived without any cost or would not be converted into the debt of the Company. Holders of the CN would have no right to redeem and the Company has no obligation to repay the outstanding amount.

The CN was 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 did 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 had been made for the dilution effect of the issue of the CN.

As at 1 April 2017, part of the CN with an principal amount of HK$180,000,000 has been converted. For the year ended 31 March 2018, the remaining of the CN with an aggregate principal amounts of HK$150,000,000 with corresponding fair values of HK$67,073,000 were converted at the conversion price of HK$0.10 each into 1,500,000,000 ordinary shares of the Company at HK$0.10 each (note 33(a)).

33. SHARE CAPITAL

Shares

	2019 **HK$'000**	2018 HK$'000
Issued and fully paid:		
740,545,000 (2018: 7,405,453,000) ordinary shares	**74,055**	740,545

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 2017	5,434,453	543,445
Conversion of convertible notes *(note (a))*	1,500,000	150,000
Equity-settled share option arrangements *(note (b))*	11,000	1,100
Issue of shares *(note (c))*	460,000	46,000
At 31 March 2018 and 1 April 2018	**7,405,453**	**740,545**
Share consolidation and capital reduction *(note (d))*	**(6,664,908)**	**(666,490)**
At 31 March 2019	**740,545**	**74,055**

Notes:

(a) For the year ended 31 March 2018, the remaining part of the CN with an aggregate principal amounts of HK$150,000,000 with a corresponding fair value of HK$67,073,000 were converted at the conversion price of HK$0.10 each into 1,500,000,000 ordinary shares of the Company at HK$0.10 each. An aggregate amount of HK$82,927,000, representing the difference between the principal amount of the shares and the corresponding fair value of the CN, was charged to share premium.

(b) On 28 November 2017, the subscription rights attaching to 11,000,000 share options were exercised at the subscription price of HK$0.101 per share (note 35), resulting in the issue of 11,000,000 shares for a total cash consideration of HK$1,111,000.

(c) On 24 November 2017, 460,000,000 shares were issued for cash at a subscription price of HK$0.10 per share for a total cash consideration, before expenses, of HK$46,000,000.

(d) On 29 August 2018, share consolidation of every 10 issued ordinary shares of nominal value of HK$0.10 each into 1 ordinary share of nominal value of HK$1.00 each was completed. The reduction of the issued number of shares of the Company arising as a result of the share consolidation and the reduction of the nominal value of each of the issued consolidated shares from HK$1.00 to HK$0.10 by cancelling the paid-up to the extent of HK$0.90 on each of the issued consolidated shares was completed. As a result, amounts of HK$477,000,000 and HK$189,490,000 were credited to accumulated losses and contributed surplus reserve respectively. Details of the transactions were set out in the Company's circular dated 27 July 2018.

All new shares issued during the year ended 31 March 2018 rank pari passu with other shares then in issue in all respects.

34. 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 78 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.

35. SHARE OPTION SCHEME

During the year, the Company operates share option schemes on 18 July 2008 (the "2008 Share Option Scheme") and 28 August 2018 (the "2018 Share Option Scheme"). The 2008 Share Option Scheme was expired and terminated on 17 July 2018.

2008 Share Option Scheme

The Company operated the 2008 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 2008 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 2008 Share Option Scheme became effective on 18 July 2008 (the "2008 Adoption Date") and would remain in force for 10 years from that date.

35. SHARE OPTION SCHEME (CONTINUED)

2008 Share Option Scheme (Continued)

Maximum number of unexercised share options currently permitted to be granted under the 2008 Share Option Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the Adoption Date (the "2008 Scheme Mandate Limit"). This 2008 Scheme Mandate Limit could be refreshed by the shareholders' approval in a general meeting. Maximum number of shares issuable under share options to each eligible participant in the 2008 Share Option Scheme within any 12-month period was 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 was subject to shareholders' approval in a general meeting.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant mentioned hereinafter, maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be granted under the 2008 Share Option Scheme and any other share option schemes of the Company should 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 was determinable by the directors, and commences after a vesting period, if any, and ends on a date which was not later than 10 years from the date of offer of the share options or the expiry date of the 2008 Share Option Scheme, if earlier.

The exercise price of share options was 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 would 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 did not confer rights on the holders to dividends or to vote at shareholders' meetings.

2018 Share Option Scheme

The 2018 Share Option Scheme was adopted on 28 August 2018 (the "2018 Adoption Date") for the purpose of providing incentives or rewards to eligible persons who contribute to the success of the Group's operations. Eligible persons of the 2018 Share Option Scheme include any full-time or part-time employee of the Company or any members of the Group, including any Executive Director, Non-executive Director and Independent Non-executive Director, adviser, consultant of the Company or any the subsidiaries.

35. SHARE OPTION SCHEME (CONTINUED)

2018 Share Option Scheme (Continued)

The total number of shares which may be issued upon the exercise of all options to be granted under the 2018 Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the shares in issue as at the 2018 Adoption Date as altered by the capital reorganisation undertook by the Company which became effective on 29 August 2018 (the "2018 Scheme Mandate Limit"). The total number of shares issued and to be issued upon exercise of the options granted to a participant under the 2018 Share Option Scheme and other schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time. Where any further grant of options to a participant (the "Further Grant") would result in the shares issued and to be issued upon exercise of all options granted and to be granted under the 2018 Share Option Scheme and other schemes to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the shares in issue from time to time, the Further Grant must be separately approved by the shareholders in general meeting with such participate and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the participant is a connected person) abstaining from voting.

Notwithstanding the foregoing, the Company may not grant any option if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2018 Share Option Scheme and other schemes exceeds 30% of the shares in issue from time to time.

The board of directors may, at its discretion, invite any eligible persons to take up options at a price calculated as mentioned below. Upon acceptance of the option, the eligible person shall pay HK$1.00 to the Company by way of consideration for the grant. The option will be offered for acceptance for a period of 28 days from the date on which the option is granted.

The 2018 Share Option Scheme will be valid and effective for a period of ten years commencing on the date of approval of the 2018 Share Option Scheme (i.e. 28 August 2018), after which period no further options may be granted but the provisions of the 2018 Share Option Scheme shall remain in full force and effect in all other respects and options granted during the life of the 2018 Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The exercise price for the shares subject to options will be a price determined by the Board and notified to each participant and must be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options.

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.

During the year ended 31 March 2019, no share option has been granted under the 2018 Share Option Scheme. No share option was outstanding as at 31 March 2019.

35. SHARE OPTION SCHEME (CONTINUED)

2018 Share Option Scheme (Continued)

The following share options were outstanding under the 2008 Share Option Scheme during the year:

	Weighted average exercise price	Number of options
	HK$ per share	'000
At 1 April 2017	0.196	436,862
Exercised during the year	0.101	(11,000)
Lapsed during the year	0.138	(48,000)
At 31 March 2018 and 1 April 2018	**0.206**	**377,862**
Lapsed during the year	**0.138**	**(377,862)**
At 31 March 2019		**–**

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2018 was HK$0.108 per share.

During the year, all of the remaining share options of 377,862,000 (2018: 48,000,000) were lapsed by the end of the exercise period. The share-based compensation reserve of approximately HK$21,968,000 (2018: HK$2,045,000) was released to retained profits/accumulated losses accordingly.

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

2018 Number of options	Exercise price	Exercise period
'000	HK$ per share	
16,000	0.604	31 July 2009 to17 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
66,162	0.101	3 April 2012 to 17 July 2018
45,000	0.415	3 April 2012 to 17 July 2018
224,000	0.138	6 August 2015 to 17 July 2018
377,862		

35. SHARE OPTION SCHEME (CONTINUED)

No share options were granted during the year (2018: Nil).

The 11,000,000 share options exercised during the year ended 31 March 2018 resulted in the issue of 11,000,000 ordinary shares of the Company and new share capital of HK$1,100,000, as further detailed in note 33(b) to the financial statements.

All options outstanding as at 31 March 2018 were exercisable. The options outstanding at 31 March 2018 had a weighted average remaining contractual life of 0.2 year.

36. DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE

On 29 January 2019, Zhong Fu Yuan Lin entered into an equity interests transfer agreement with an independent third party (the "Purchaser") to dispose of 100% equity interests in Hangzhou Haoletian, including the 20% equity interests in Hangzhou Anbaishi held by Hangzhou Haoletian, which was engaged in the cemetery business, at consideration settled by cash of RMB1,000,000 (equivalent to HK$1,170,000) and settlement of amount due from immediate holding company of Hangzhou Haoletian of RMB6,650,000 (equivalent to HK$7,782,000). Zhong Fu Yuan Lin also entered into a debt assignment agreement with Hangzhou Haoletian and the Purchaser to reassign the amount due from immediate holding company to the Purchaser. On the same date, Anxian Yuan (Zhejiang) entered into an equity interests transfer agreement with the same Purchaser to dispose of its 15% equity interests in Hangzhou Anbaishi, which was an associate of the Group, at a cash consideration of RMB900,000 (equivalent to HK$1,053,000).

As a result, the Group effectively disposed of (i) 100% equity interests in Hangzhou Haoletian, a wholly owned subsidiary of the Group and (ii) 35% equity interests in Hangzhou Anbaishi, an associate of the Group. The disposal of Hangzhou Haoletian and Hangzhou Anbaishi (the "Disposal") was completed on 31 January 2019.

The total consideration of the disposal of 100% equity interests in Hangzhou Haoletian of RMB7,650,000 (equivalent to HK$8,952,000) was allocated between the disposal of (i) 100% equity interests in Hangzhou Haoletian and (ii) 20% equity interests in Hangzhou Anbaishi held by Hangzhou Haoletian by proportioning the consideration of RMB900,000 (equivalent to HK$1,053,000) which paid for 15% equity interests in Hangzhou Anbaishi.

The allocated consideration for the Disposal is as follows:

	HK$'000
100% equity interests in Hangzhou Haoletian (i)	**7,548**
35% equity interests in Hangzhou Anbaishi (ii)	**2,457**
	10,005

36. DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE (CONTINUED)

(i) Disposal of 100% equity interests in Hangzhou Haoletian

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

	HK$'000
Net assets disposed of:	
Property, plant and equipment	89
Inventories	129
Cash and bank balances	484
Amount due from the Purchaser	7,782
Trade and other payables	(112)
	8,372
Loss on disposal of a subsidiary *(note 6)*	(824)
Fair value of total consideration	7,548

(ii) Disposal of 35% equity interests in Hangzhou Anbaishi

The transaction has been accounted for as disposal of an associate were:

	HK$'000
Consideration received for 35% equity interests	2,457
Net assets attributable to 35% equity interests *(note 17)*	(4,606)
Loss on disposal of an associate *(note 6)*	(2,149)

(iii) The analysis of the net outflow of cash and bank balances in respect of the Disposal:

	HK$'000
Cash and bank balances disposed of under disposal of 100% equity interests in Hangzhou Haoletian	(484)
Cash consideration received	2,223
Net cash inflow on the Disposal	1,739

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings HK$'000	**Amounts due to non-controlling shareholders** HK$'000	**Liability component convertible bonds** HK$'000	**Dividend payable** HK$'000
At 1 April 2017	306,973	7,836	48,477	–
Changes arising from cash flows:				
New bank and other borrowings raised	156,162	–	–	–
Repayment of bank and other borrowings	(222,824)	–	–	–
Repayment of a loan from non-controlling shareholders	–	(7,757)	–	–
Repayment of convertible bonds	–	–	(48,477)	–
Other changes:				
Interest expense	11,482	–	4,272	–
Interest paid under operating activities	(22,512)	–	(4,660)	–
Capitalised finance costs	11,030	–	388	–
Exchange realignment	22,638	845	–	–
At 31 March 2018 and 1 April 2018	**262,949**	**924**	**–**	**–**
Changes arising from cash flows:				
New bank and other borrowings raised	**17,487**	**–**	**–**	**–**
Repayments of bank and other borrowings	**(54,118)**	**–**	**–**	**–**
Advanced from non-controlling shareholders	**–**	**1,964**	**–**	**–**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**(378)**
Other changes:				
Interest expense	**5,387**	**–**	**–**	**–**
Interest paid under operating activities	**(18,348)**	**–**	**–**	**–**
Capitalised finance costs	**12,961**	**–**	**–**	**–**
Dividend declared/approved	**–**	**–**	**–**	**378**
Exchange realignment	**(14,036)**	**(61)**	**–**	**–**
At 31 March 2019	**212,282**	**2,827**	**–**	**–**

The total taxes paid during the year were:

	2019 **HK$'000**	2018 HK$'000
Operating activities:		
Taxes paid in the PRC	**12,442**	10,069

38. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 29 to the financial statements.

39. OPERATING LEASE COMMITMENTS

As lessee

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

At 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**2,600**	3,475
In the second to fifth years, inclusive	**1,721**	2,533
	4,321	6,008

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
Proposed acquisition of land use rights	**9,326**	9,984
Project construction	**29**	1,291
	9,355	11,275

41. 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

	2019 **HK$'000**	2018 HK$'000
Consultancy fee to non-controlling shareholder in which one of the executive directors has controls *(note (i))*	**2,611**	1,607
Rental expense to non-controlling shareholder in which one of the executive directors has controls *(note (i))*	**333**	282
Other borrowings obtained from a related company in which one of the executive directors has controls *(note (ii))*	**–**	100,000
Interest expense to a related company in which one of the executive directors has controls *(note (ii))*	**5,775**	11,313

Notes:

(i) These transactions constitute a de minimis transactions under Rule 14A.76(1)(c) of Chapter 14A of the Listing Rules and are therefore fully exempted from all disclosure requirements.

(ii) As the borrowing is not secured by any asset of the Group and as the directors of the Company consider that the borrowing is on normal commercial terms or better, the borrowing is fully exempted from the shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Certain directors of the Company have guaranteed the bank and other borrowings. Details are set out in note 29 to the financial statements.

(b) Outstanding balances with related parties

(i) The Group has outstanding balances to the non-controlling shareholders of HK$2,827,000 (2018: HK$924,000) as at the end of the reporting period. The amounts are non-trading in nature, unsecured, interest-free and repayable on demand as disclosed in note 30.

(ii) As mentioned in note 41(a)(ii) above, the Group had an outstanding balance of other borrowing due to a related company, in which one of the executive directors has controls, amounted to HK$30,000,000 (2018: HK$50,000,000) as at the end of reporting period. The balance was unsecured, guaranteed by Mr. Shi Hua, bearing an interest rate of 15% per annum and repayable in May 2019 as disclosed in note 29(c).

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(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.

42. NON-CONTROLLING INTERESTS

Zhejiang Anxian Yuan, Yin Chuan Fu Shou Yuan and Zunyi Dashenshan, a 98.38%, 70% and 80% owned subsidiaries of the Group respectively, have material non-controlling interests (the "NCI"). Except the above mentioned, the NCI of all other subsidiaries of the Group that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of Zhejiang Anxian Yuan before intra-group eliminations, is presented below:

	2019 **HK$'000**	2018 HK$'000
For the year ended 31 March		
Revenue	**173,027**	158,000
Profit for the year	**43,575**	28,647
Total comprehensive income	**5,934**	86,145
Profit allocated to NCI	**96**	1,396
Dividends paid to NCI	**(378)**	–
For the year ended 31 March		
Cash flows generated from/(used in) operating activities	**39,926**	(39,936)
Cash flows used in investing activities	**(20,979)**	(202)
Cash flows used in financing activities	**(5,649)**	(39,441)
Effect of foreign exchange rate changes, net	**(11,726)**	26,757
Net cash inflow/(outflow)	**1,572**	(52,822)

42. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in relation to the NCI of Zhejiang Anxian Yuan before intra-group eliminations, is presented below: (Continued)

	2019 HK$'000	2018 HK$'000
As at 31 March		
Current assets	**359,824**	364,401
Non-current assets	**516,963**	563,704
Current liabilities	**(90,711)**	(76,594)
Non-current liabilities	**(233,266)**	(281,319)
Net assets	**552,810**	570,192
Accumulated non-controlling interests	**8,955**	9,237

Summarised financial information in relation to the NCI of Yin Chuan Fu Shou Yuan before intra-group eliminations, is presented below:

	2019 HK$'000	2018 HK$'000
For the year ended 31 March		
Revenue	**22,093**	19,188
Loss for the year	**(2,340)**	(1,771)
Total comprehensive income	**(8,331)**	7,351
(Loss)/Profit allocated to NCI	**(2,499)**	2,205
For the year ended 31 March		
Cash flows generated from/(used in) operating activities	**129**	(868)
Cash flows used in investing activities	**(1,960)**	(1,448)
Effect of foreign exchange rate changes, net	**787**	(923)
Net cash outflow	**(1,044)**	(3,239)

42. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in relation to the NCI of Yin Chuan Fu Shou Yuan before intra-group eliminations, is presented below: (Continued)

	2019 **HK$'000**	2018 HK$'000
As at 31 March		
Current assets	**14,366**	13,111
Non-current assets	**110,615**	123,033
Current liabilities	**(12,681)**	(14,986)
Non-current liabilities	**(24,462)**	(24,990)
Net assets	**87,838**	96,168
Accumulated non-controlling interests	**26,351**	28,850

Summarised financial information in relation to the NCI of Zunyi Dashenshan before intra-group eliminations, is presented below:

	2019 **HK$'000**	2018 HK$'000
For the year ended 31 March		
Revenue	**26,860**	26,187
(Loss)/Profit for the year	**(235)**	3,139
Total comprehensive income	**(4,421)**	9,178
(Loss)/Profit allocated to NCI	**(884)**	1,836
For the year ended 31 March		
Cash flows (used in)/generated from operating activities	**(2,700)**	15,530
Cash flows (used in)/generating from investing activities	**(2,841)**	130
Cash flows used in financing activities	**–**	(6,786)
Effect of foreign exchange rate changes, net	**5,761**	(7,816)
Net cash inflow	**220**	1,058

42. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in relation to the NCI of Zunyi Dashenshan before intra-group eliminations, is presented below: (Continued)

	2019 HK$'000	2018 HK$'000
As at 31 March		
Current assets	**19,541**	19,778
Non-current assets	**151,553**	166,239
Current liabilities	**(105,005)**	(118,340)
Non-current liabilities	**(7,006)**	(4,174)
Net assets	**59,083**	63,503
Accumulated non-controlling interests	**11,817**	12,701

43. FINANCIAL INSTRUMENTS BY CATEGORIES

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

2019

Financial assets

	At amortised cost HK$'000	**At FVOCI** HK$'000	**Total** HK$'000
Equity investments	**–**	**2,332**	**2,332**
Trade receivables	**912**	**–**	**912**
Financial assets included in prepayments, deposits and other receivables *(note 23)*	**859**	**–**	**859**
Cash and cash equivalents	**34,999**	**–**	**34,999**
	36,770	**2,332**	**39,102**

Financial liabilities

	At amortised cost HK$'000
Trade payables	**33,953**
Financial liabilities included in other payables and accruals *(note 26)*	**7,463**
Interest-bearing bank and other borrowings *(note 29)*	**212,282**
Amounts due to non-controlling shareholders	**2,827**
	256,525

43. FINANCIAL INSTRUMENTS BY CATEGORIES (CONTINUED)

2018

Financial assets

	Loans and receivables HK$'000	**Available-for-sale financial assets** HK$'000	**Total** HK$'000
Available-for-sale investments	–	2,496	2,496
Trade receivables	1,559	–	1,559
Financial assets included in prepayments, deposits and other receivables	10,075	–	10,075
Cash and cash equivalents	47,836	–	47,836
	59,470	2,496	61,966

Financial liabilities

	At amortised cost HK$'000
Trade payables	29,817
Financial liabilities included in other payables and accruals *(note 26)*	18,389
Interest-bearing bank and other borrowings *(note 29)*	262,949
Amounts due to non-controlling shareholders	924
	312,079

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and amounts 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 2019 was assessed to be insignificant.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial assets and liabilities:

	Fair value measurement using			
	Quoted prices in active market Level 1	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
	HK$'000	HK$'000	HK$'000 *(note (a))*	HK$'000
2019				
Financial assets				
– Unlisted equity securities, at fair value	**–**	**–**	**2,332**	**2,332**
Financial liabilities				
– Interest-bearing bank and other borrowings	**–**	**212,282**	**–**	**212,282**
2018				
Financial liabilities				
– Interest-bearing bank and other borrowings	–	262,949	–	262,949

(a) The Group's unlisted equity securities at fair value is denominated in RMB and the fair value is determined by using valuation technique of and market approach, which includes unobservable inputs that are not based on observable market data (note 18).

The movements in fair value measurements in Level 3 during the year are as follows:

	2019
	HK$'000
Financial assets at fair value through other comprehensive income – Unlisted equity securities *(note)*	
At beginning of the year	**–**
Restated at fair value as at 1 April 2018	**2,496**
Exchange realignment	**(164)**
At end of the year	**2,332**

Note:

As at 31 March 2018, unlisted equity securities with the carrying amount of HK$2,496,000 was classified as available-for-sales investments at cost. Upon the adoption of HKFRS 9 as defined in note 2.2(a)(i)(A), the unlisted equity securities was reclassified from available-for-sale investments of HK$2,496,000 as at 1 April 2018 to financial assets at fair value through other comprehensive income. No fair value gain is noted on the transition.

The fair value of the unlisted equity securities is Level 3 recurring fair value measurement. During the year ended 31 March 2019, there have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

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

Fair value hierarchy (Continued)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Valuation technique	Significant unobservable inputs	Value of input	Relationship of unobservable inputs to fair value
At 31 March 2019				
– Unlisted equity securities, at fair value	Market approach	Price earnings ratio	32%	The higher the price earnings ratio, the higher the fair value
		Discount for lack of marketability	25%	The higher the discount for lack of control and for lack of marketability, the lower the fair value
		Discount for lack of control	25%	

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) 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 interest-bearing liabilities (bank and other borrowings) carried at effective interest rates with reference to the market (notes 24 and 29). 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 retained profits/accumulated losses.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		HK$'000
2019		
RMB	**50**	**(775)**
RMB	**(50)**	**775**
2018		
RMB	50	(799)
RMB	(50)	799

(ii) 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 2019 and 31 March 2018.

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) 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 at amortised cost 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 losses allowances 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 13% (2018: 100%) and 35% (2018: 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.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The Group concluded that ECL rates and the impact of ECLs on trade receivables are insignificant as at 31 March 2019.

Other financial assets at amortised cost of the Group includes deposits and other receivables and cash and cash equivalents. Since there is no increase in credit risk, the loss allowance recognised during the year was therefore limited to 12-month expected credit losses. Management considers the probability of default is low on deposits since the counterparties are in good credit quality and no historical default noted. Besides, management considers the probability of default is low on bank balances since they are placed at the financial institutions with good credit rating. The Group concluded that except the write-off of other receivables of HK$4,985,000 including a specific debtor with the amount of RMB4,000,000 (equivalent to HK$4,659,000) as detailed in note 23, there is no significant impact of ECLs on other financial assets at amortised cost as at 31 March 2019.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Credit risk (Continued)

The movement in the provision for impairment loss on other receivables for the year ended 31 March 2019 is as follows:

	2019
	HK$'000
At 1 April	**75,526**
Write-off	**(75,526)**
At 31 March	**–**

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2.4(l)). As at 31 March 2018, none of the trade receivables was determined to be impaired since they were neither past due nor impaired related to the single customer for whom there was no recent history of default. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, is limited because almost all of the Group's bank deposits are deposited with major banks located in Hong Kong and the PRC.

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 movement in the provision for impairment loss on other receivables for the year ended 31 March 2018 was as follows:

	2018
	HK$'000
At 1 April	75,481
Exchange realignment	45
At 31 March	75,526

As at 31 March 2019 and 2018, there is no financial guarantees issued by the Group.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) 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, other payables and accruals, amounts due to non-controlling shareholders, bank and other borrowings and also 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:

	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
2019				
Trade payables	**33,953**	**–**	**33,953**	**33,953**
Other payables and accruals	**7,463**	**–**	**7,463**	**7,463**
Interest-bearing bank and other borrowings	**86,469**	**159,776**	**246,245**	**212,282**
Amounts due to non-controlling shareholders	**2,827**	**–**	**2,827**	**2,827**
	130,712	**159,776**	**290,488**	**256,525**

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Liquidity risk (Continued)

	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
2018				
Trade payables	29,817	-	29,817	29,817
Other payables and accruals	18,389	-	18,389	18,389
Interest-bearing bank and other borrowings	53,888	254,472	308,360	262,949
Amounts due to non-controlling shareholders	924	-	924	924
	103,018	254,472	357,490	312,079

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 2019 and 31 March 2018.

The Group regards total equity attributable to the owners of the Company 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 2019 was approximately HK$658,092,000 (2018: HK$689,428,000), 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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Liquidity risk (Continued)

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

	2019 **HK$'000**	2018 HK$'000
Interest-bearing bank and other borrowings	**212,282**	262,949
Less: Cash and cash equivalents	**(34,999)**	(47,836)
Net debt	**177,283**	215,113
Total equity	**658,092**	689,428
Gearing ratio (%)	**27**	31

46. EVENTS AFTER THE REPORTING DATE

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

47. 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:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	372	63
Investments in subsidiaries	9	9
Total non-current assets	381	72
CURRENT ASSETS		
Deposits and other receivables	579	1,035
Amounts due from subsidiaries	425,716	460,072
Cash and cash equivalents	2,954	8,593
Total current assets	429,249	469,700
CURRENT LIABILITIES		
Other payables and accruals	1,669	2,532
Interest-bearing bank and other borrowings	30,000	–
Total current liabilities	31,669	2,532
NET CURRENT ASSETS	397,580	467,168
TOTAL ASSETS LESS CURRENT LIABILITIES	397,961	467,240
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	–	50,000
Total non-current liabilities	–	50,000
NET ASSETS	397,961	417,240
EQUITY		
Share capital	74,055	740,545
Reserves	323,906	(323,305)
TOTAL EQUITY	397,961	417,240

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

Note:

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

	Share premium HK$'000	Share-based compensation reserve HK$'000	Contributed surplus reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	229,394	24,367	–	67,073	(457,914)	(137,080)
Total comprehensive income for the year	–	–	–	–	(35,253)	(35,253)
Share issue expenses	(983)	–	–	–	–	(983)
Exercise of share options	365	(354)	–	–	–	11
Lapse of share options	–	(2,045)	–	–	2,045	–
Conversion of convertible notes	(82,927)	–	–	(67,073)	–	(150,000)
At 31 March 2018 and 1 April 2018	**145,849**	**21,968**	**–**	**–**	**(491,122)**	**(323,305)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(19,279)**	**(19,279)**
Share consolidation and capital reduction	**–**	**–**	**189,490**	**–**	**477,000**	**666,490**
Lapse of share options	**–**	**(21,968)**	**–**	**–**	**21,968**	**–**
At 31 March 2019	**145,849**	**–**	**189,490**	**–**	**(11,433)**	**323,906**

In this annual report (other than the independent auditor's report and financial statements from pages 69 to 182), the following expressions shall have the following meanings unless the context otherwise requires:

AGM	annual general meeting
Audit Committee	the audit committee of the Company
Board	the board of Directors
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 14 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

GLOSSARY

Nomination Committee	the nomination committee of the Company
Non-executive Director(s)	the non-executive Director(s)
PRC	the People's Republic of China, which for the purpose of this report exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Remuneration Committee	the remuneration committee of the Company
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SGM	Special general meeting of the Company
Share(s)	the ordinary share(s) of HK$0.1 each in the share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Year	the year ended 31 March 2019
Yin Chuan Fu Shou Yuan	銀川福壽園人文紀念園有限公司 (in English, for identification purpose, Yin Chuan Fu Shou Yuan Humanistic Cultural Memorial Park Co. Ltd.), a limited liability company established under the laws of the PRC
Zhejiang Anxian Yuan	浙江安賢陵園有限責任公司 (in English, for identification purpose, Zhejiang Anxian Yuan Company Limited), a limited liability company established under the laws of the PRC
Zunyi Dashenshan	遵義詩鄉大神山生態陵園有限公司 (in English, for identification purpose, Zunyi Shixiang Dashenshan Cemeteries Co. Ltd.), a limited liability company established under the laws of the PRC
HK$	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